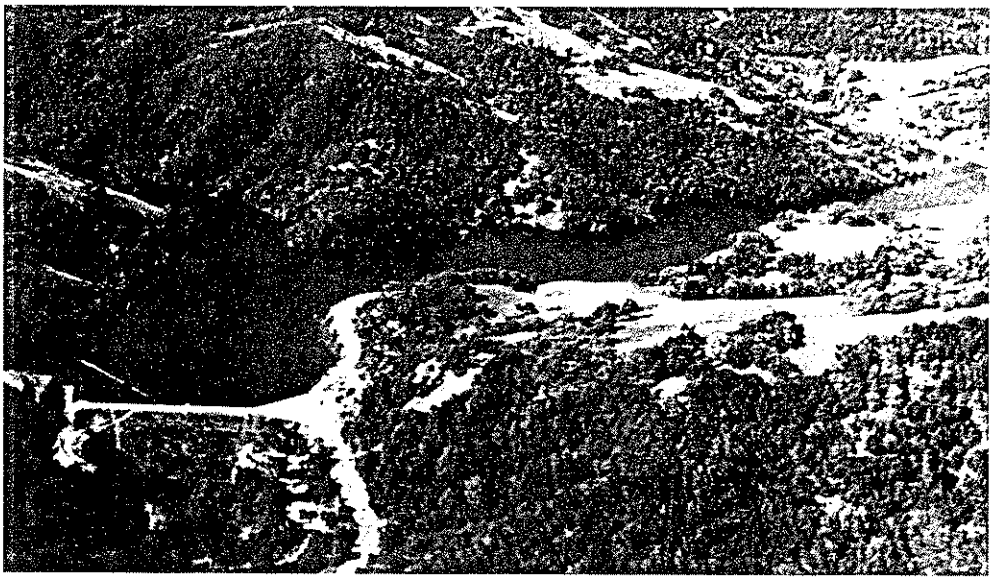
OFFICIAL STATEMENT

Santa Clara Valley Water District

Santa Clara County, California

Water Revenue Bonds, Series D



$30,000,000

Principal Amount

SANTA CLARA VALLEY WATER DISTRICT

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, $30,000,000 principal amount of Water Revenue Bonds, Series D, proposed to be issued by the Santa Clara Valley Water District.

The material contained in this Official Statement was prepared by Dinkelspiel Belmont & Co. Inc., in its capacity as public finance and investment banking consultant to the District (which firm will receive compensation from the District contingent upon the sale and delivery of the Bonds). Summaries of the Resolution of Issuance and other documents and reports contained herein do not purport to be complete or authoritative and reference is made to such documents on file at the offices of the District for further information concerning legal and/or technical matters.

This Official Statement is not to be construed as a contract with the purchasers of the Series D Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The legal opinion approving the validity of the Bonds will be furnished by Orrick, Herrington & Sutcliffe, San Francisco, bond counsel. The scope of bond counsel's engagement in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the caption "The Bonds".

The execution and distribution of this Official Statement have been authorized by the District.

Dated: October 15, 1985

Joe Donohue

Chairman, Santa Clara Valley Water District

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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SANTA CLARA VALLEY WATER DISTRICT

Santa Clara County, California

BOARD OF DIRECTORS

Joseph H. Donohue, *Chairman*
Audrey H. Fisher, *Vice Chairman*
Patrick T. Ferraro
Robert W. Gross
James J. Lenihan
Joe Pandit
Sig Sanchez

DISTRICT STAFF

John T. O'Halloran, *General Manager*
Ronald R. Esau, *Assistant General Manager*
Susan A. Pino, *Clerk of the Board*
David K. Gill, *Water Supply Manager*
Albert Thomas Henley, *General Counsel*
Charles G. Wilson, *Finance Manager*
A. Jefferson Smith, *Fiscal Services Analyst*

PROFESSIONAL SERVICES

Dinkelspiel Belmont & Co. Inc.
Public Finance and Investment Banking Consultant
San Francisco

Orrick, Herrington & Sutcliffe
Bond Counsel
San Francisco

Arthur Young & Company
Certified Public Accountants
San Jose

Bank of America N.T. & S.A.
Fiscal Agent and Registrar
San Francisco

THE DATE OF THIS OFFICIAL STATEMENT IS
OCTOBER 15, 1985

Santa Clara Valley Water District headquarters.

INTRODUCTION

Santa Clara Valley Water District encompasses all of Santa Clara County, California, an area which had an estimated population of 1,376,900 persons as of January 1, 1985, and a 1985/86 assessed valuation of $55,252,436,068. The District is the primary source of water throughout the county, supplying water to its more than 1,700 wholesale and private customers by means of the groundwater basins, surface water reservoirs and imported water from other agencies.

The District provides both treated and untreated water to its customers, and nearly all of this water is redistributed to hundreds of thousands of retail users who are customers of private water companies and public entities. The District has six major customers: San Jose Water Company, City of Santa Clara, City of Sunnyvale, City of San Jose, City of Cupertino, and California Water Service Company. In 1984/85, these six accounts remitted $22,920,153 of the water utility's total $37,755,591 operating revenues, or more than 60% of the total. The largest single customer of the District, San Jose Water Company, paid total charges of $14,723,179 during this same period, or more than 38% of the water utility's total operating revenues. San Jose Water Company has nearly 194,000 retail customers and serves water to approximately 710,000 people in Metropolitan San Jose.

On May 31, 1977, the voters of the District, voting at a special bond election, authorized the issuance of $56,000,000 principal amount of water revenue bonds for the purpose of improving the District's water system. The $2,000,000 Water Revenue Bonds, Series A issue sold on June 20, 1978 was the first increment of the total authorization, and these bonds have now been retired. The $21,000,000 Series B issue sold in 1980 was the second series, and the $33,000,000 Series C issue, the third and final series of this authorization, was sold in 1984.

In November, 1984 voters of the District approved an amendment to the Santa Clara Valley Water District Act which authorized the District to issue additional revenue bonds in such amounts as may be required to provide water service and purification, groundwater protection, hydropower and dam safety. The $30,000,000 principal amount of Series D Bonds are being issued pursuant to this authorization, and they will be issued on a parity with the previously issued revenue bonds and subject to the covenants of the prior bond resolutions.

The Water Utility Enterprise of the Santa Clara Valley Water District is the utility from which the revenues are derived to provide payment of principal and interest on the outstanding $51,090,000 of Water Revenue Bonds, Series B and C, and on the $30,000,000 of Series D Bonds.

The Enterprise has historically been self-supporting from water charges to its customers. However, the District also levies taxes within several different

zones of benefit in order to supplement its funds in support of capital improvement programs and on-going planning for importation, storage, treatment and distribution facilities.

In 1984/85 net revenues pledged to debt service on the revenue bonds totaled $26,487,863. Maximum aggregate annual debt service on the outstanding bonds combined with estimated debt service on the Series D Bonds is $9,469,760. Thus the 1984/85 pledged net revenues provide a 2.8 coverage factor to maximum aggregate annual debt service.

TABLE 1
SELECTED ESSENTIAL FACTS

The Bonds	
Principal amount	$30,000,000
Maturities	1987-2004
Denominations	Multiples of $5,000
Average life	12.69 years
Bond years	380,740
Maturities callable on or after	June 1, 1995
Maximum coupon rate	12%
Maximum coupon spread	2%
Estimated maximum annual debt service (all outstanding bonds)	$9,469,760
Estimated bond reserve (for all issues)	$9,469,760
1984/85 gross enterprise revenues (pledged)	$37,755,591
1984/85 enterprise expenses	$11,267,728
1984/85 net pledged revenues	$26,487,863
Coverage ratio of 1984/85 net revenues to estimated maximum debt service (Series D and Prior Issues)	2.8
Financial and Economic Data	
1985/86 assessed valuation	$55,252,436,068
Per capita total assessed valuation	$40,128
Estimated 1985 population	1,376,900
Median household effective buying income, 1984	$37,776
August 1985 County unemployment rate	6.0%

THE BONDS

SCHEDULE OF MATURITIES

Maturity Date June 1	Principal Amount
1987	$ 675,000
1988	725,000
1989	775,000
1990	835,000
1991	900,000
1992	955,000
1993	1,040,000
1994	1,120,000
1995	1,215,000
1996	1,320,000
1997	1,450,000
1998	2,055,000
1999	2,250,000
2000	2,460,000
2001	2,665,000
2002	2,915,000
2003	3,180,000
2004	3,465,000

Authority for Issuance

The $30,000,000 Santa Clara Valley Water District Water Revenue Bonds, Series D (the "Bonds") currently being offered for sale will be issued pursuant to Section 25.2 of the Santa Clara Valley Water District Act. Section 25.2 (which authorizes the District to issue revenue bonds as required to provide water service and purification, groundwater protection, hydropower, and dam safety) was approved by the voters of the District on November 6, 1984.

The Series D Bonds will be the fourth series of parity bonds to be issued by the District under Resolution No. 78-68 and a supplemental resolution of the District, Resolution No. 85-73, adopted by the Board of Directors of the District on October 15, 1985 (the "Fourth Supplemental Resolution"). Resolution No. 85-73 is included as the appendix to this official statement.

The Bonds will be issued pursuant to and in conformity with the Revenue Bond Law of 1941, Chapter 6, Part 1, Division 2, Title 5 of the California Government Code, commencing with Section 54300; and the Santa Clara Valley Water District Act (California Water Code Appendix, Sections 60-1 et seq.)

Description of the Bonds

The Bonds will be dated December 1, 1985 and will be issued as fully registered bonds in multiples of $5,000 (but not exceeding the principal amount of Bonds maturing at any one time). The Bonds will mature serially on June 1 in each of the years and in the amounts shown in the Schedule of Maturities. Interest is payable semiannually on June 1 and December 1 of each year, beginning June 1, 1986. Both interest and principal are payable at the principal corporate trust office of Bank of America N.T. & S.A., San Francisco, Fiscal Agent and Registrar of the District.

Redemption Provision

Bonds maturing by their terms on or before June 1, 1994 shall not be subject to redemption prior to their respective maturity dates. Bonds maturing by their terms on or after June 1, 1995 shall be subject to redemption prior to their respective maturity dates, at the option of the District, on any interest payment date on or after June 1, 1994, as a whole or in part in inverse order of maturity (and by lot within any one maturity), from funds derived by the District from any source at the principal amount thereof and accrued interest thereon to the date of redemption, plus a redemption premium of one-quarter of one percent (¼ of 1%) of such principal amount for each whole year or fraction thereof remaining between the date of redemption and their respective maturity dates.

Legal Opinion

All proceedings in connection with the issuance of the Bonds are subject to the approval of Orrick, Herrington & Sutcliffe, San Francisco, California, bond counsel for the District. The unqualified opinion of Orrick, Herrington & Sutcliffe, attesting to the validity of the Bonds will be supplied free of charge to the original purchaser of the Bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond without charge to the successful bidder.

The statements of law and legal conclusions set forth in this Official Statement under the heading "The Bonds" have been reviewed by Bond Counsel. Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation (see section hereof entitled "Tax Exempt

Status"). The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Bonds, including this Official Statement, not mentioned in this paragraph.

Tax Exempt Status

In the opinion of bond counsel, the interest on the Bonds is exempt from all present Federal income taxes and from all present State of California personal income taxes under existing statutes, regulations and court decisions.

Fiscal Agent

The Corporate Trust Department of Bank of America National Trust and Savings Association in San Francisco, California was appointed Fiscal Agent for the District. The District receives all the gross revenues pledged to the security of the Bonds and allocates these revenues to funds held by the Fiscal Agent in accordance with the terms of Resolution No. 78-68.

Purpose

The proceeds from the sale of the Bonds will be used to finance design and construction of additions and improvements to the District's water utility system, as detailed in the section of this official statement entitled "The Project".

Security

Bond principal and interest are payable from and secured by a first lien on the gross revenues of the Enterprise. Gross revenues include all income, receipts, or revenues derived from the operation of the Enterprise or arising out of the Enterprise or in any way incidental to the Enterprise, including interest on investment of reserve funds.

Disposition of Bond Proceeds

Resolution No. 85-73 provides that upon receipt of payment for the Series D Bonds, the Fiscal Agent shall apply the proceeds as follows:

(a) Accrued interest paid by the purchasers of the Bonds is to be deposited in the Interest Account.

(b) A sum sufficient to increase the balance in the Bond Reserve Account to an amount equal to the Maximum Aggregate Annual Debt Service on the Series B, C, and D Bonds shall be deposited in the Bond Reserve Account.

(c) The balance of the bond proceeds is to be transferred by the Fiscal Agent to the Finance Manager, who is to deposit such proceeds in the Series D Construction Account of the Bond Fund. These moneys are to be used as provided by law to pay costs of the acquisition and construction of the 1985 Project. Any balance in the Series D Construction Account after completion of such acquisition and construction shall be deposited in the Revenue Fund.

Bond Reserve Account

Upon issuance of the Bonds, the District will deposit in the Bond Reserve Account within the Revenue Fund a sum sufficient to increase the balance in the Bond Reserve Account to an amount equal to the Maximum Aggregate Annual Debt Service on all Outstanding Bonds. Thereafter, on or before the first day of each month the Finance Manager shall deposit in the Bond Reserve Account such amount of revenues as is necessary to maintain such balance.

All moneys in the Bond Reserve Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of replenishing the Interest Account or the Principal Account, in such order, in the event of any deficiency in either of such accounts, or for the purpose of paying the interest on or principal of the Bonds.

If on any June 1 the amount in the Bond Reserve Account exceeds the sum required by the above paragraph to be on deposit therein and if the District is not then in default, the Fiscal Agent shall withdraw the amount of any such excess from said account and shall pay such amount to the Finance Manager, who shall deposit such amount in the Surplus Account.

Revenue Fund

Resolution No. 78-68 provides for the establishment of the "Santa Clara Valley Water District Water Utility System Revenue Fund (the "Revenue Fund") into which all water revenues, together with interest earned thereon, shall be deposited and held in trust. Such revenues shall be disbursed only as provided in Resolution No. 78-68; and shall be accounted for separately from all other moneys of the District.

Deposit and Application of Revenues

Section 5.03 of Resolution No. 78-68 establishes five special accounts within the Revenue Fund, into which deposits must be made in the following order of priority:

(1) *Interest Account.* On or before the first day of each month, the Finance Manager shall, from moneys in the Revenue Fund, deposit with the Fiscal Agent in the Interest Account, for each Series of Bonds Outstanding, an amount of Revenues equal to the monthly amount (computed on a pro rata basis) of the difference between the amount deposited in the Interest Account from the proceeds of such Series of Bonds and the amount of interest becoming due and payable on such Series of Bonds on the first interest payment date thereof, and thereafter an amount of Revenues equal to one-fifth ($^1/_5$) of the aggregate amount of interest becoming due and payable on such Series of Bonds on the next succeeding interest payment date.

(2) *Principal Amount.* On or before the first day of each month, the Finance Manager shall, from moneys in the Revenue Fund, deposit with the Fiscal Agent in the Principal Account an amount of Revenues equal to (a) one-tenth ($^1/_{10}$) of the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds on the next succeeding June 1, plus (b) one-tenth ($^1/_{10}$) of the aggregate amount of the minimum annual sinking fund account payments required by any Supplemental

Resolution to be made during the year ending on the next succeeding June 1 into the respective sinking fund accounts for all Term Bonds for which sinking fund accounts shall have been established, all of which said sinking fund account payments shall be made without priority of any sinking fund account payment into any one such sinking fund account over any sinking fund account payment into any other such sinking fund account.

(3) *Bond Reserve Account.* On or before the first day of each month, the Finance Manager shall, from moneys in the Revenue Fund, deposit with the Fiscal Agent in the Bond Reserve Account such amount of Revenues as shall be required to restore the Bond Reserve Account to a sum equal to the Maximum Aggregate Annual Debt Service on all Outstanding Bonds, or such larger amount as may be required to be maintained on deposit in the Bond Reserve Account by any Supplemental Resolution.

(4) *Maintenance and Operation Account.* On or before the first day of each month, the Finance Manager shall, from moneys in the Revenue Fund, deposit in the Maintenance and Operation Account a sum equal to the amount required by the District for the payment of budgeted Maintenance and Operation Costs of the Enterprise during the calendar month beginning on such day.

(5) *Surplus Account.* All moneys remaining in the Revenue Fund on the first day of each month, after setting aside and depositing all of the sums required to be set aside or deposited therefrom by the Finance Manager by the provisions of Section 5.03(1), (2), (3), and (4) of Resolution No. 78-68, shall be deposited by the Finance Manager in the Surplus Account. Moneys in the Surplus Account shall be used as and when needed to eliminate any deficiency which may exist at any time in any of the accounts established by Section 5.03 (1), (2), (3), and (4) of Resolution No. 78-68, in such order. Subject to the foregoing, moneys in the Surplus Account may be expended by the District at any time to pay any expense or cost incurred in connection with the operation, maintenance, repair or improvement of the Enterprise, and on June 1 of each year may be withdrawn and deposited in the District's general fund for expenditure for any lawful purpose of the District; provided, however, that the Finance Manager shall not permit the expenditure or withdrawal by the District of any moneys held in the Surplus Account if and when the District is in default.

TABLE 2
FUNDS AND ACCOUNTS ESTABLISHED BY BOND RESOLUTIONS

Fund or Account	*Source*	*Use*
Series D Construction Account of Bond Fund [Resolution No. 78-68 (Sec. 2.06) and 85-73 (Sec. 3.01(c)] (maintained by the District after initial transfers to the Interest and Reserve Accounts are made by fiscal agent)	Bond proceeds	Construction, balance to Reserve Account and Revenue Fund as provided in the Resolutions
Revenue Fund [Resolution No. 78-68, Section 5.01] (held by District)	Water system revenues	Transfers to the Interest, Principal, Reserve, Maintenance and Operation, and Surplus Revenue Accounts, in order of priority
Interest Account [Resolution No. 78-68, Section 5.03(1)] (held by fiscal agent)	Bond proceeds and Revenue Fund	Bond Interest
Principal Account [Resolution No. 78-68, Section 5.03(2)] (held by fiscal agent)	Revenue Fund	Bond principal
Reserve Account [Resolution No. 78-68, Section 5.03(3)] (held by fiscal agent)	Bond proceeds and Revenue Fund	Bond principal and interest
Maintenance and Operation Account [Resolution No. 78-68, Section 5.03(4)] (held by District)	Revenue Fund	Maintenance and operation of Enterprise
Surplus Revenue Account [Resolution No. 78-68, Section 5.03(5)] (held by District)	Revenue Fund	Any authorized purpose after all other accounts have been paid in full in accordance with Resolution

Establishment of Rates, Fees and Charges

The District covenants and agrees that as long as any Bonds are outstanding it will fix and maintain fees, rates, and other charges for water service, including groundwater extraction charges in any zone or zones of the District, which will produce annual net revenues equal to at least 1.25 times the annual bond interest and principal requirements of all outstanding water revenue bonds and all parity water revenue bonds which may be sold in the future.

Annual net revenues are defined as gross revenues less annual maintenance and operation expenses. The latter includes the reasonable expenses of management, repair and other costs necessary to operate, maintain and preserve the Enterprise in good working order, but excluding any allowance for depreciation.

As shown by the following tabulation, net revenues in 1984/85 would have covered maximum aggregate annual debt service requirements of the Water Revenue Bonds, Series B, C, and D by 2.80 times.

Details of the 1984/85 revenues and expenses are contained in Table 14. The Operating Expenses shown have been adjusted in conformance with the definition of such expenses contained in Resolution No. 78-68. The maximum annual bond service is from Table 3.

1984/85 WATER REVENUES, EXPENSES AND ESTIMATED REVENUE BOND COVERAGE

Operating revenues	$37,755,591
Operating expenses	11,267,728
Net Pledged Revenues	$26,487,863
Estimated maximum annual debt service	$9,469,760
Coverage	2.80

Additional Bonds

Additional bonds may be issued on a parity with the Bonds only subject to the limitations imposed by Resolution No. 78-68. The limitations imposed are summarized as follows:

1. The District must be in compliance with all covenants of the Resolutions, and a certificate to that effect must have been filed with the Fiscal Agent.
2. Proceeds of additional bonds are to be applied solely for purposes of improvements and additions to the Enterprise or for refunding outstanding bonds.
3. The last maturity date of the additional bonds must be not earlier than the last maturity date of any bonds then outstanding. Additional bonds are to mature on June 1, and interest is to be paid on June 1 and December 1.
4. An additional amount is to be deposited in the Bond Reserve Account so that its balance will be equal to the maximum annual debt service on all bonds and additional bonds outstanding after sale of the additional bonds.
5. Actual annual net revenues for the last audited fiscal year or twelve-month period must have been equal to at least 1.25 times maximum annual debt service on all outstanding bonds and additional bonds. If additional bonds are to be issued for the purpose of providing funds for improvements and additions to the Enterprise, 75% of the estimated average annual net revenue to be derived from these improvements or additions during the first three years after their acquisition or completion and 75% of any additional annual net revenues estimated to be received from an increase in rates or charges which has not been in effect for a full year may be added to actual annual net revenues for the preceding fiscal year or twelve-month period and treated, for the purposes of this covenant, as if actually received by the District. Any such estimate of new revenues must be as shown by a certificate of a qualified independent engineer employed by the District and satisfactory to the Fiscal Agent.

Additional Covenants

In addition to those described above, the Resolutions include additional covenants of the District, including the following:

1. The District will punctually pay or cause to be paid all principal and interest on the Bonds as it becomes due.
2. The District will not mortgage or otherwise encumber the Enterprise or any revenues except as provided in the Resolutions.
3. The District will not sell, lease, or otherwise dispose of the Enterprise or any part of it essential to its proper operation or to the maintenance of the revenues. The District will not enter into any lease or agreement which

impairs the operation of the Enterprise or any part necessary to secure adequate revenues or which would otherwise impair the rights of holders of the Bonds. Property which has become non-operative or which is not needed for the Enterprise may be sold without consent of the bondholders if such sale will not reduce revenues and if the net proceeds are deposited in the Revenue Fund.

4. The District will maintain the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner.

5. The District will pay and discharge all lawful claims for labor, material, or supplies which, if unpaid, might become a lien on revenues.

6. The District will maintain insurance on the Enterprise against such risks as are usually insurable in connection with similar enterprises. The District will secure and maintain adequate fidelity insurance on all officers and employees handling or responsible for any revenues or funds of the Enterprise.

7. The District will maintain proper books and records and make them subject to inspection by the Fiscal Agent or by the holders of not less than ten per cent of the principal amount of bonds. The District will prepare and file with the Fiscal Agent annually within 150 days after the close of each fiscal year a detailed statement of revenues, disbursements from revenues, and all expenditures, together with a detailed balance sheet, all as applicable to the prior fiscal year and accompanied by a certificate of an independent public accountant. The District annual report is also to include a schedule of applicable rates and a general statement of the physical condition of the Enterprise. A summary of this statement is to be prepared annually not more than 150 days after the close of each fiscal year, and copies of the summary statement will be furnished to the Fiscal Agent and to any bondholder upon request.

8. The District will protect and defend the security of the Bonds and the rights of the bondholders against all claims and demands.

9. The District will not acquire, construct, operate or maintain any competitive water system.

10. The District will not invest the proceeds of the Bonds in such a manner which would result in the Bonds being taxable "arbitrage bonds" within the meaning of section 103(c), Internal Revenue Code of 1954, as amended.

Closing Documents

At the time of delivery of the Series D Bonds the District will furnish to the purchaser, without charge, the following closing documents, each dated as of the date of delivery:

(a) *Legal opinion* — The opinion of Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel, approving the validity of the Bonds and stating that interest on the Bonds is exempt from income taxes of the United States of America under present federal income tax laws, and that such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

A copy of the opinion of Orrick, Herrington & Sutcliffe, certified by an officer of the District by facsimile signature, will be printed on the back of each bond. No charge will be made to the purchaser for such printing or certification.

(b) *Non-Arbitrage Certificate* — A certificate of an officer of the District that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds.

(c) *No-Litigation Certificate* — A certificate signed by the Attorney for the District that there is no litigation threatened or pending affecting the validity of the Bonds.

(d) *Signature Certificate* — A certificate of the officers and representatives of the District, showing that they have signed the Bonds, whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same.

(e) *Treasurer's Receipt* — The receipt of the Treasurer of the District showing that the purchase price of the Bonds, including interest accrued to the date of delivery thereof, has been received by the District.

(f) *Certificate Re Official Statement* — A certificate of an officer of the District, acting in his official and not his personal capacity, to the effect that at the time of sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Annual Debt Service

The actual annual debt service requirement for Water Revenue Bonds, Series B and C, is presented in Table 3, along with estimated annual debt service on the Series D Bonds.

TABLE 3
ESTIMATED ANNUAL DEBT SERVICE ON $30,000,000 SANTA CLARA VALLEY WATER DISTRICT WATER REVENUE BONDS, SERIES D, AND ACTUAL DEBT SERVICE ON PRIOR ISSUES

Year Ending June 1	*Principal Maturing June 1*	*Estimated Interest*	*Estimated Annual Debt Service*	*Series B Debt Service (Actual)*	*Series C Debt Service (Actual)*	*Total Actual and Estimated Debt Service (All Issues)*
1986	$ —	$ 1,386,011	$ 1,386,011	$ 2,697,795	$ 3,309,040	$ 7,392,846
1987	675,000	2,772,023	3,447,023	2,677,795	3,331,440	9,456,258
1988	725,000	2,726,460	3,451,460	2,649,795	3,360,165	9,461,420
1989	775,000	2,673,898	3,448,898	2,624,955	3,382,165	9,456,018
1990	835,000	2,613,835	3,448,835	2,601,205	3,410,565	9,460,605
1991	900,000	2,547,035	3,447,035	2,588,355	3,429,465	9,464,855
1992	955,000	2,472,785	3,427,785	2,574,035	3,445,990	9,447,810
1993	1,040,000	2,391,610	3,431,610	2,547,885	3,478,690	9,458,185
1994	1,120,000	2,301,130	3,421,130	2,529,785	3,500,865	9,451,780
1995	1,215,000	2,201,450	3,416,450	2,496,825	3,542,435	9,455,710
1996	1,320,000	2,090,885	3,410,885	2,468,725	3,574,925	9,454,535
1997	1,450,000	1,968,785	3,418,785	1,786,125	4,262,425	9,467,335
1998	2,055,000	1,832,485	3,887,485		5,582,275	9,469,760
1999	2,250,000	1,637,260	3,887,260		5,567,775	9,455,035
2000	2,460,000	1,422,385	3,882,385		5,584,725	9,467,110
2001	2,665,000	1,186,225	3,851,225		5,597,765	9,448,990
2002	2,915,000	929,053	3,844,053		5,615,275	9,459,328
2003	3,180,000	646,298	3,826,298		5,628,025	9,454,323
2004	3,465,000	337,838	3,802,838		5,649,550	9,452,388
	$30,000,000	$36,137,449	$66,137,449			

THE DISTRICT

Santa Clara Valley Water District is a multi-purpose special district created by the legislature of the State of California in 1951. The District encompasses all of Santa Clara County, one of the fastest growing areas of the state.

The District has broad powers relating to all aspects of the control of flood and storm waters within the District, whether or not such waters have their sources within the District. It is also responsible for the storage and distribution of water for use within its jurisdictional boundaries and is obligated to provide sufficient water for present or future beneficial use of the lands and inhabitants of the District. The District is responsible for the acquisition, storage and distribution of water for irrigation, domestic, fire protection, municipal, commercial, industrial, and all other uses.

District Directors

The District is governed by a seven-member board of directors. Five of the members are elected from the five county supervisorial districts and two members are appointed by the Board of Supervisors of Santa Clara County to represent the District at large. The term of office of directors is four years. The following paragraphs provide a brief personal profile of each of the directors.

Joseph H. Donohue, Director, District 4

Director Donohue became a Board member on January 11, 1983 and presently serves as Chairman of the Board. His current term expires in January 1987.

Director Donohue retired in June 1984 after a forty year career with defense industries both as an employee and principal. He currently serves as a Director on the California State Association of Local Elected Officials (CSALEO) and the Litton Applied Technology Federal Credit Union (ATDFCU). He also serves as the spokesman for the Citizens Lobby of the California Tax Reduction Movement (CTRM) and is an advisor to United Taxpayers Inc., Santa Clara County of which he was a co-founder in 1968.

Audrey H. Fisher (Director-at-Large)

Director Fisher became a Board member on January 12, 1982 and presently serves as Vice-Chairman of the Board. Her current term expires in January 1986.

Prior to her appointment to the Board, Director Fisher, a former Army nurse, had served sixteen years on the Los Altos City Council, including two years as mayor, chaired the Santa Clara Valley Water Commission for three years and was a member of the Bay Area Regional Water Quality Control Board.

Patrick T. Ferraro, Director, District 2

Director Ferraro became a Board member on January 1, 1973. His current term expires in January 1989.

Prior to serving as a Director, he was employed as a Sanitary Engineer for Consoer-Townsend and Associates. Mr. Ferraro manages the firm of Water Brothers, an Environmental Consulting Business. He also owns and operates a moving and storage business.

Robert W. Gross, Director, District 3

Director Gross became a Board member on January 13, 1981. His current term expires in January 1989.

Prior to his election to the District's Board, Director Gross held executive positions with local title companies and is currently the owner of R. W. Gross & Associates, research consultants and real estate advisors. He is also active in civic affairs, including the Boy Scouts of America, and serves on the University of Santa Clara Board of Fellows.

James J. Lenihan, Director, District 5

Director Lenihan became a Board member on June 7, 1960. His current term expires in January 1989. Director Lenihan is a member of the three county San Felipe Committee, and he was a member of its predecessor, the Tri-County Water Authority.

Mr. Lenihan is an insurance broker and has handled general insurance, property, and casualty insurance for thirty-four years.

Joe Pandit, Director, District 1

Director Pandit became a Board member on January 11, 1983. His current term expires in January 1987.

Prior to his election to the Board, Director Pandit was employed by the District as a project engineer for flood control works. He holds Master of Science degrees in Hydraulics and Dam Engineering and is currently employed as a project engineer for Wilsey & Ham, Consulting Engineers.

Sig Sanchez (Director-at-Large)

Director Sanchez became a Board member on February 5, 1980. His term expires in January 1988. Mr. Sanchez retired in 1978 from the Santa Clara County Board of Supervisors after serving on that Board for 16 years. Prior to his serving on that Board, Mr. Sanchez served as Mayor and Councilman for the City of Gilroy. Mr. Sanchez has been a rancher, warehouseman and landowner in California and presently lives in Gilroy.

District Staff

John T. O'Halloran (General Manager)

The General Manager of the District is John T. O'Halloran, who was appointed to the position in June, 1973. Mr. O'Halloran received his Bachelor of Science Degree and Master of Arts in Public Administration from the University of San Francisco.

Prior to joining the District, he was City Manager of the City of Mountain View for a period of fifteen years, where he was previously the Director of Finance.

Mr. O'Halloran is responsible for effectuating programs established or approved by the Board of Directors and coordinating such programs with the State of California and other local agencies, particularly the fifteen cities within Santa Clara County. Mr. O'Halloran's many affiliations and directorships include League of California Cities, Director of California Water Resources Association, Secretary of National Association of Urban Flood Management Agencies, and many others.

David K. Gill (Water Supply Manager)

Mr. David K. Gill, Water Supply Manager of the District, was appointed to his current position in August 1973. He is responsible for planning, designing and financing of the District's water facilities.

Mr. Gill received his Bachelor of Science in Civil Engineering from Duke University, served as a Weather Officer in the United States Air Force, and worked as a hydraulic engineer for the Bureau of Reclamation and an international engineering consulting firm before joining the District in 1966.

Charles G. Wilson (Finance Manager)

Mr. Charles G. Wilson, Finance Manager of the District, joined the District in 1960 as Business Manager. He is responsible for all financial activities identified with the office of Controller and Treasurer in addition to those of General Services and Commercial Data Processing.

Mr. Wilson received his Bachelor of Business Administration degree from the University of Washington in 1952 and his degree of Master of Business Administration from the University of Santa Clara in 1964. Since 1966 he has served as a member of the Advisory Committee to the State Controller on Reports of Financial Transactions.

Existing Facilities

The present In-County Water Distribution System has four principal components, which are:

1. *Sources of Supply*
2. *Raw Water Conveyance Facilities,* consisting of streams, canals and pipelines
3. *Groundwater Treatment System,* with its percolation facilities
4. *Surface Water Treatment and Distribution System*

Control facilities at Rinconada Water Treatment facility.

Sources of Supply

Due to the increasing water requirements in the County, it has been necessary to not only develop existing water supplies within the County but also to import additional water into the North County.

Presently, the County has four existing sources of water supply: (1) natural groundwater, (2) surface reservoirs, (3) imported water from the South Bay Aqueduct of the State Water Project, and (4) water imported through the Hetch-Hetchy Aqueduct of the City of San Francisco. The first three are raw water sources which are used in part in recharging the County's groundwater subbasins.

The County's four existing sources of water supply are discussed in the following subsections.

Natural Groundwater Yield

Three major interconnected groundwater subbasins exist within the County. These groundwater subbasins are the Santa Clara Valley, the Coyote and the Llagas Subbasins, which together occupy about 240,000 acres of the 849,000 acres in Santa Clara County.

The County's three groundwater subbasins have a total natural groundwater yield of approximately 162,000 acre-feet per year. The natural groundwater yield is that amount of local water, exclusive of controlled releases from surface reservoirs, that flows or seeps into the aquifers of the groundwater subbasins. Such water includes reservoir overflows, natural percolation of precipitation and percolation of agricultural and residential irrigation. It also includes subsurface inflow from beneath the Bay and from the surrounding hills and basins. Table 4 shows the estimated average amounts of natural groundwater yield available in the three subbasins. These yields represent the annual amounts of water that could be pumped from the groundwater subbasins without changing, on the long-term average, the amounts of water in storage.

Overpumping of the groundwater subbasins causes such related

TABLE 4
NATURAL GROUNDWATER YIELD IN SANTA CLARA COUNTY
IN ACRE-FEET PER YEAR

Santa Clara Valley Subbasin	
West zone	51,000
Central zone	27,800
East zone	18,600
Subtotal	97,400
Coyote Subbasin	
Subtotal	5,500
Llagas Subbasin	
Morgan Hill-San Martin area	18,800
Gilroy-Uvas area	40,000
Subtotal	58,800
Total	161,700

TABLE 5
SURFACE RESERVOIR YIELD IN SANTA CLARA COUNTY
IN ACRE-FEET PER YEAR

Santa Clara Valley Subbasin	
Almaden-Calero	5,800
Anderson-Coyote	24,300
Guadalupe	2,400
Lexington-Vasona	11,700
Stevens Creek	2,500
Williams-Elsman	13,000
Subtotal	59,700
Coyote Subbasin	
Anderson-Coyote	5,300
Subtotal	5,300
Llagas Subbasin	
Anderson-Coyote	1,900
Chesbro	3,800
Uvas	4,700
Subtotal	10,400
Total	75,400

problems as subsidence and increased pumping costs, and increases the potential for saltwater intrusion from the San Francisco Bay. A program for recharging the subbasins has been implemented to help alleviate these problems. This program includes both on-stream and off-stream percolation facilities to receive both local and imported water supplies.

Surface Reservoir Yield

Surface water is a primary source of water for groundwater recharge in the County. Storage reservoirs have been constructed on most of the major streams to retain seasonal runoff which later is released for groundwater recharge and some irrigation. Table 5 lists those reservoirs that provide some increment of the County's water supply. All of the reservoirs are owned and operated by the Santa Clara Valley Water District with the exception of Uvas, Chesbro, Williams, and Elsman Reservoirs. Chesbro and Uvas Reservoirs, located in the Llagas Subbasin, are owned and operated by the Gavilan Water conservation District. Elsman and Williams Reservoirs, located in the Santa Clara Valley Basin, are owned and operated by San Jose Water Company. Table 5 also lists the long-term average operational yield available from each of the reservoirs for ground-water recharge and/or surface deliveries. The yield represents the average annual quantity of water available from each reservoir. These quantities were derived from historical data.

Based on historical use, the Anderson-Coyote yield was divided among the three subbasins as shown.

The present average annual controlled recharge capability of the three groundwater subbasins with existing recharge facilities and present operational procedures is about 157,700 acre-feet per year. Studies have shown that with the availability of additional water from new reservoirs and/or additional imported water, the percolation capacity in the County could be increased both by increasing the capacity of existing percolation facilities and by the construction of new facilities.

Imported Water — State Water Project

At present, Santa Clara Valley Water District is importing untreated water through the South Bay Aqueduct of the State Water Project. The District is one of three public agencies which have contracted with the State of California for water from this aqueduct. The District is presently entitled to 88,000 acre-feet per year and will get increases each year commencing in 1989 up to a maximum 100,000 acre-feet in 1994.

Since 1965, the South Bay Aqueduct has played a vital role in meeting the increasing demands for water in Santa Clara Valley. The South Bay Aqueduct is part of the much larger California State Water project which had its beginnings in the early 1950's.

The project is designed to transport water form northern California and deliver it to areas of demand in other portions of the State. Major financing for the project came in 1960 when California voters approved the 1.75 billion dollar bond issue for construction of the project. This amount was the largest single state bond authroization in the history of the nation at the time.

The water conveyed through the South Bay Aqueduct is currently used in the Santa Clara Valley Subbasin, and is the District's source of supply for its two treatment plants, Rinconada and Penitencia. At present, approximately one-fourth of the South Bay Aqueduct water is used to recharge the Santa Clara Valley Groundwater Subbasin, and the remaining portion is treated and distributed to various local water agencies.

Imported Water — San Francisco Water Department

A fourth major source of supply to Santa Clara County is the Hetch-Hetchy Aquaduct, which has historically conveyed water from the Sierra Nevada Mountains to users in Alameda, San Mateo, Santa Clara, and San Francisco Counties. The aqueduct is owned and operated by the San Francisco Water Department, and water from the aqueduct was made available to the North Santa Clara Valley water agencies when the

TABLE 6
SUMMARY OF EXISTING SOURCES OF WATER SUPPLY
IN ACRE-FEET PER YEAR

	Present	*Ultimate*
Santa Clara Valley Basin		
Natural groundwater	97,400	97,400
Surface reservoir	59,700	59,700
Imported water	146,500	180,000
Subtotal	303,600	337,100
Coyote Basin		
Natural groundwater	5,500	5,500
Surface reservoir	5,300	5,300
Subtotal	10,800	10,800
Llagas Basin		
Natural groundwater	58,800	58,800
Surface reservoir	10,400	10,400
Subtotal	69,200	69,200
Total	383,600	417,100

first contract was signed with the San Francisco Water Department in 1952. Since that time the contracts for Hetch-Hetchy water have increased in number and at present approximately 66,200 acre-feet of water per year is delivered to water agencies in Milpitas, Stanford University, Moffett Field Naval Air Station, Purissima Hills Water District, Sunnyvale, Mountain View, Palo Alto, Los Altos Hills, San Jose and Santa Clara. Considering the increasing demand of these cities for water and the expected water availability, deliveries of Hetch-Hetchy water is expected to increase from the present 67,000 acre-feet per year to an estimated 75,000 acre-feet per year by 2020.

A projection of the ultimate availability of water from existing sources of supply is presented in Table 6. As shown, by the year 2020, an existing and/or contracted supply of 417,100 acre-feet per year is projected.

Raw Water Conveyance Facilities

To transport imported water as well as local conserved water for treatment and/or groundwater recharge, the District has constructed a raw water conveyance system to supplement the natural channels and streams. The conveyance system is comprised of man-made facilities such as canals, pipelines and pumping facilities as well as the natural system of creeks and streams.

Natural Conveyance System

The primary raw water conveyance system in Santa Clara County is the network of streams and creeks which convey the natural runoff for groundwater recharge, and during periods of high runoff, to the Bay and to the Pajaro River. During the rest of the year, these streams convey water, which is collected and stored in conservation reservoirs, to various percolation sites for recharging the groundwater subbasins. Control over the quantities and locations of delivery is maintained by regulating the flows discharged from the reservoirs and using various check dams and diversion facilities.

Canals and Related Facilities

To complement the natural conveyance system, various canals and conduits have been built. These major facilities are (1) the Coyote Canal and Coyote Canal Extension, the Evergreen Distribution System, and the Madrone Channel which are all used to distribute water, collected at Anderson Reservoir, to various recharge areas, (2) the Almaden-Calero Canal which is used to transfer water from Almaden Reservoir to Calero Reservoir for additional conservation during the runoff season and (3) the Uvas-Llagas Conduit which is used to transfer water from Uvas Creek to Llagas Creek.

Raw Water Pipelines

In addition to the natural raw water conveyance system and its complementing system of canals, there are several major raw water pipelines which are used to transport imported raw water to various points for treatment, irrigation and/or percolation. These various components consist of the Central Pipeline, the Almaden Valley Pipeline, the Rinconada Force Main, the Cross Valley Pipeline, Anderson Force Main, and the Stevens Creek Pipeline. The Vasona Pump Station is presently used to provide additional head to the system.

The Groundwater System

The groundwater system, considered one of the four main components of the District's In-County Water Distribution System, consists of the groundwater subbasins and the on-stream and off-stream recharge facilities associated with each subbasin. The groundwater subbasins can transmit, filter and store water, thus making it one of the system's most valuable components.

The groundwater system in Santa Clara County consists primarily of three interconnected groundwater subbasins. They are the Santa Clara Valley, the Coyote, and the Llagas Subbasins. These three subbasins annually transmit, filter, store, and yield over 60 percent of the water needs of the County, and thus they are a primary component of the County water supply system. Secondary components of the groundwater system are the on-stream and off-stream recharge facilities which enable the District to control and monitor, to an extent, the subbasin's operation.

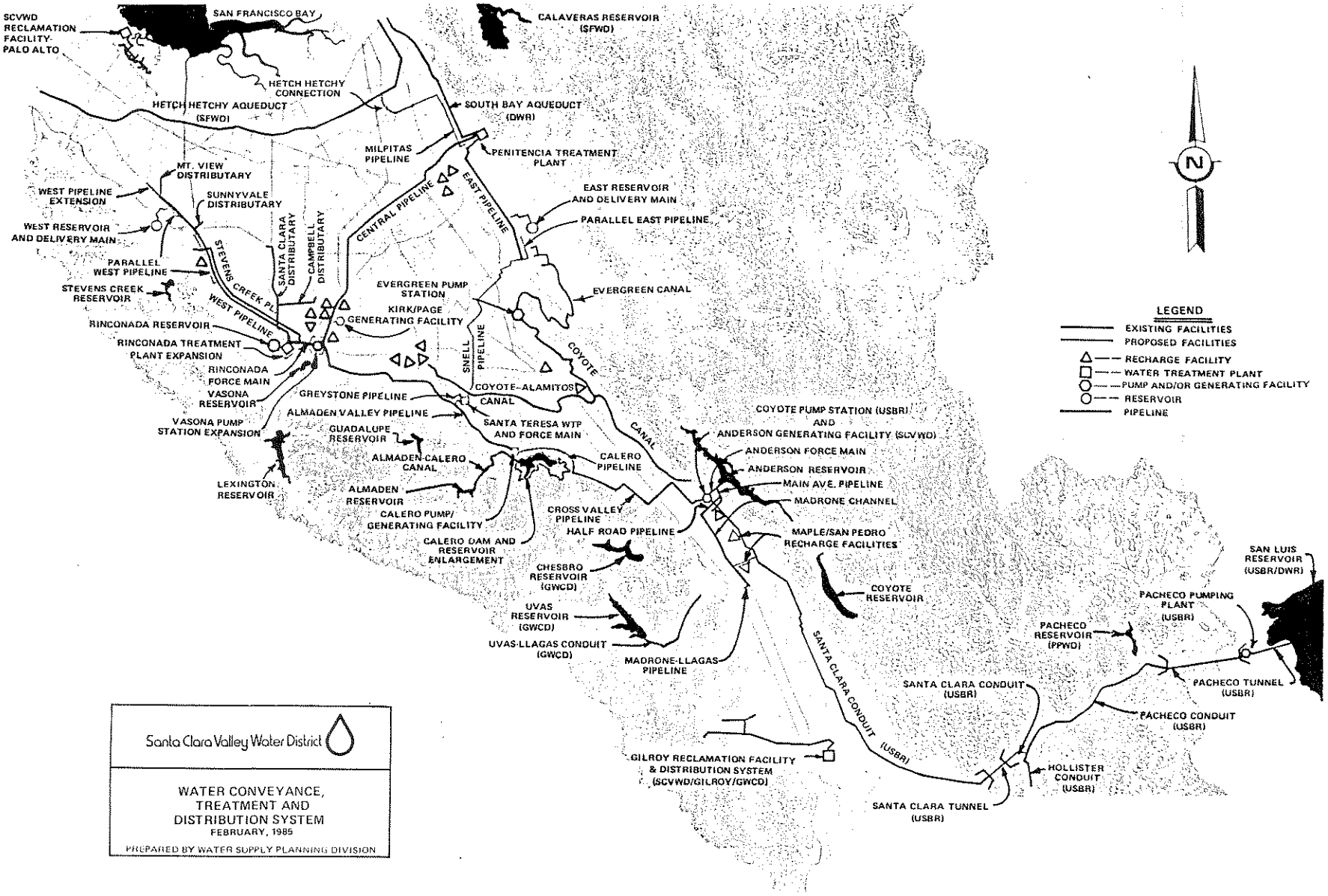
The groundwater subbasins roughly coincide with the valley floor areas of the County. This occurs because the main water-bearing and transmitting materials of the subbasins underlie the valley floor areas. The Santa Clara Valley Subbasin is the largest of the three subbasins, having a surface area of over 225 square miles.

Subbasin output, or extraction, occurs via pumping for municipal and agricultural uses, and from subsurface outflow, such as extra-basin transfer that occurs from the Coyote Subbasin to the Santa Clara Valley Subbasin. Approximately 230,000 acre-feet of water per year is pumped from the groundwater subbasins of the County. This presently represents more than 60 percent of the County's demand. If the current rate of pumping remains constant to the year 2020, the subbasins will be supplying over 40 percent of the water needs of the valley based upon expected demands in that year.

Surface Water Treatment System

To supplement the natural treatment process provided by the groundwater subbasins, the District, as well as San Jose Water Company, has constructed and is operating water treatment systems to meet the demands of the County. The three existing treated water systems within the County are the Rinconada Water Treatment System and the Penitencia Water Treatment System, both operated by the District, and the Montevina Treatment Plant operated by the San Jose Water Company.

The City of San Francisco's Hetch-Hetchy Aqueduct also delivers potable water in Santa Clara County.


SCVWD RECLAMATION FACILITY-PALO ALTO
SAN FRANCISCO BAY
HETCH HETCHY CONNECTION
HETCH HETCHY AQUEDUCT (SFWD)
CALAVERAS RESERVOIR (SFWD)
SOUTH BAY AQUEDUCT (DWR)
MILPITAS PIPELINE
PENITENCIA TREATMENT PLANT
MT. VIEW DISTRIBUTARY
WEST PIPELINE EXTENSION
SUNNYVALE DISTRIBUTARY
WEST RESERVOIR AND DELIVERY MAIN
STEVENS CREEK PL.
SANTA CLARA DISTRIBUTARY
CAMPBELL DISTRIBUTARY
CENTRAL PIPELINE
EAST PIPELINE
EAST RESERVOIR AND DELIVERY MAIN
PARALLEL EAST PIPELINE
PARALLEL WEST PIPELINE
STEVENS CREEK RESERVOIR
WEST PIPELINE
EVERGREEN PUMP STATION
KIRK/PAGE GENERATING FACILITY
EVERGREEN CANAL
RINCONADA RESERVOIR
RINCONADA TREATMENT PLANT EXPANSION
SNELL PIPELINE
COYOTE CANAL
RINCONADA FORCE MAIN
VASONA RESERVOIR
GREYSTONE PIPELINE
COYOTE-ALAMITOS CANAL
ALMADEN VALLEY PIPELINE
SANTA TERESA WTP AND FORCE MAIN
COYOTE PUMP STATION (USBR) AND ANDERSON GENERATING FACILITY (SCVWD)
VASONA PUMP STATION EXPANSION
GUADALUPE RESERVOIR
ALMADEN-CALERO CANAL
CALERO PIPELINE
ANDERSON FORCE MAIN
ANDERSON RESERVOIR
LEXINGTON RESERVOIR
ALMADEN RESERVOIR
MAIN AVE. PIPELINE
MADRONE CHANNEL
CALERO PUMP/ GENERATING FACILITY
CROSS VALLEY PIPELINE
HALF ROAD PIPELINE
MAPLE/SAN PEDRO RECHARGE FACILITIES
CALERO DAM AND RESERVOIR ENLARGEMENT
CHESBRO RESERVOIR (GWCD)
COYOTE RESERVOIR
SAN LUIS RESERVOIR (USBR/DWR)
UVAS RESERVOIR (GWCD)
PACHECO PUMPING PLANT (USBR)
PACHECO RESERVOIR (PPWD)
UVAS-LLAGAS CONDUIT (GWCD)
MADRONE-LLAGAS PIPELINE
SANTA CLARA CONDUIT (USBR)
SANTA CLARA CONDUIT (USBR)
PACHECO TUNNEL (USBR)
PACHECO CONDUIT (USBR)
GILROY RECLAMATION FACILITY & DISTRIBUTION SYSTEM (SCVWD/GILROY/GWCD)
HOLLISTER CONDUIT (USBR)
SANTA CLARA TUNNEL (USBR)
N
LEGEND
EXISTING FACILITIES
PROPOSED FACILITIES
RECHARGE FACILITY
WATER TREATMENT PLANT
PUMP AND/OR GENERATING FACILITY
RESERVOIR
PIPELINE
Santa Clara Valley Water District
WATER CONVEYANCE, TREATMENT AND DISTRIBUTION SYSTEM
FEBRUARY, 1985
PREPARED BY WATER SUPPLY PLANNING DIVISION

San Felipe Division Central Valley Project

Following extensive engineering and planning by the District staff and consulting engineers, one of several alternative sources of additional water was selected to meet the District's future water requirements. This alternative is known as the San Felipe Division of the Central Valley Project. It will import the entire amount of projected supplemental water required to meet the County's needs through the year 2020. Although the District's own In-County Water Distribution System as now planned can accommodate other sources such as reclaimed wastewater, the San Felipe Division is the primary basis for District planning and financing.

The Bureau of Reclamation, United States Department of the Interior is constructing the San Felipe Division which will ultimately deliver water to the Counties of Santa Clara, San Benito, Monterey and Santa Cruz. Through the sale of water to these four counties, the Bureau of Reclamation will ultimately recover all of its costs. The San Felipe Division of the Central Valley Project was authorized by Congress in 1967 and construction of the first major facility of the project, the Pacheco Tunnel, commenced in 1979 and was completed in 1983.

The San Felipe Division will be a conveyance facility to provide a supplemental water supply to the above counties for irrigation, municipal and industrial use. It will prevent further mining of the groundwater in Santa Clara County, replace boron-contaminated water in San Benito County, and provide water to coastal areas in Santa Cruz and Monterey Counties.

The San Felipe Division has been planned to supply Santa Clara and San Benito Counties with about 196,000 acre-feet annually by the year 2020. Water will be delivered to the users not only by direct diversion from the distribution systems, but also through the expansion of the large groundwater recharge operation now being carried out by the District. The majority of the water supply, about 128,000 acre-feet, will be used for municipal and industrial purposes.

Conveyance of the water to be used in the Santa Clara and San Benito Counties will require completion of the Pacheco Pumping Plant, 48 miles of pipelines, the Coyote pumping plant, and San Justo reservoir. About 50 percent of the water conveyed to Santa Clara County will be recharged into the groundwater subbasins for agricultural and municipal uses, and the balance will be treated for direct municipal and industrial delivery. Water will be conveyed from the Delta of the San Joaquin and Sacramento Rivers through the Delta-Mendota Canal. It will then be pumped into San Luis Reservoir and diverted through the existing 1.8 miles of Pacheco Tunnel to the Pacheco Pumping Plant. At the pumping plant, twelve 2000-horsepower pumps will lift water into the 5.3-mile-long high-level section of Pacheco Tunnel. The water will then flow through the tunnel, through 29 miles of concrete, high-pressure pipeline, and a 1.1 mile-long Santa Clara Tunnel without additional pumping. The pipeline will terminate at the Coyote Pumping Plant located near the base of the existing Anderson Dam. At the Coyote Pumping Plant six 2000 horse-power pumps will pump the water to the existing Calero Reservoir via the District's Cross Valley Pipeline.

In County Water Distribution System Expansion

As the San Felipe Division progresses, and a new and extensive water supply becomes available to the District in the late 1980's, the District's own system is being expanded to treat and distribute the water. It is for this purpose that the voters of the District authorized the sale of $56,000,000 of revenue bonds, all of which have been sold.

In 1975, the District published its Master Plan describing projects needed to meet projected water needs in Santa Clara County through the year 2020. The construction program of new facilities needed to meet projected water needs has been recently updated to meet changing conditions. This updated program provides the basis for the major construction projects now planned for completion by 1990. It is not the intention of the District that these projects be financed totally from the proceeds of bond issues but rather that annual surplus revenues and other available funds be combined with bond proceeds to accomplish the District's construction goals.

It is estimated that the cost to complete the District's expansion program to meet the County's water needs to the year 2000 will be approximately $150 million.

The major projects to be funded by the District, including those projects to be funded completely or in part from Series D Bond proceeds, are discussed below.

Madrone-Llagas Pipeline ($700,000)

The Madrone-Llagas Pipeline, planned for construction in 1988, will convey San Felipe Water from Madrone Channel to Llagas Creek and its offstream ponds for recharge. The Pipeline will be about 1, 700 feet long and 48 inches in diameter.

Stevens Creek Dam ($3,800,000)

This project, currently under construction, will improve the seismic resistance of Stevens Creek Dam and restore the storage capacity of Stevens Creek Reservoir from the currently restricted capacity of 1,200 acre-feet to its full capacity of 3,600 acre-feet. This will increase the firm annual yield of the reservoir by about 1,300 acre-feet.

Kirk/Page Generating Facility ($1,700,000)

This project consists of installing in 1987 a power generating system on a raw water turnout from the District's Central Pipeline. The system will utilize excess pipeline pressures and provide a source of revenue from sale of the power.

Anderson Generating Facility ($2,500,000)

The project is a small-scale hydroelectric facility which will be constructed in 1986 near the base of Anderson Dam. Water from Anderson Reservoir will enable two 400 kilowatt turbines to generate electricity which will be sold to Pacific Gas and Electric Company.

Rinconada Water Treatment Plant Sludge Facility ($10,300,000)

Sludge handling facilities at the Rinconada Water Treatment Plant are planned for construction in 1988 and 1989. The facility will have the capacity to process sludge from a 70 million gallon per day capacity water treatment plant.

Penitencia Water Treatment Plant Sludge Facility ($5,100,000)

The sludge handling facilities planned for 1988 and 1989 installation at the Penitencia Water Treatment Plant will include modifications to existing sludge storage facilities and installation of a sludge dewatering and sludge loading system. This facility will have the capacity to process sludge from a 45 million gallon per day water treatment plant.

Santa Teresa Water Treatment Plant and Force Main ($54,200,000)

The Santa Teresa Water Treatment Plant, planned for 1986 through 1988 construction, will treat and distribute water received from the Almaden Valley Pipeline. This Plant will serve South San Jose, the Almaden Valley, and the southern half of the area presently served by the existing Penitencia Water Treatment Plant. Upon completion, the plant will have a capacity of 100 MGD. The Santa Teresa Force Main will transport raw water from the Almaden Valley Pipeline to the Santa Teresa Water Treatment Plant. This is a 66-inch diameter, 3,400-foot long pipeline.

Santa Teresa Tunnel ($7,300,000)

The Santa Teresa Tunnel, planned for 1986 through 1988 construction, will transport water from the Santa Teresa Water Treatment Plant through the Santa Teresa foothills to the Snell Pipeline. The 1,300-foot long tunnel will contain a 72-inch diameter pipeline.

Snell Pipeline ($29,000,000)

The Snell Pipeline, planned for 1986 and 1987 construction, will transport treated water from the Santa Teresa Water Treatment Plant through the Santa Teresa Tunnel to the southern terminus of the existing East Pipeline. The Snell Pipeline will have turnouts to serve San Jose Water Company, Great Oaks Water Company, and the City of San Jose. This pipeline is about 51,000 feet in length and the diameter varies from 60- to 72 inches.

Calero Pipeline ($7,700,000)

The Calero Pipeline, planned for construction in 1987, will connect the Cross Valley Pipeline to the Almaden Valley Pipeline. This pipeline is about 14,000 feet in length and is 78 inches in diameter.

Milpitas Pipeline ($6,400,000)

The Milpitas Pipeline, planned for construction in 1988, will transport water, treated at the Penitencia Water Treatment Plant, from the Piedmont Valve Yard to the City of Milpitas. The pipeline will be about 22,000 feet long and have the capacity to transport approximately 10,000 acre-feet of water per year.

Mountain View Distributary ($1,200,000)

The Mountain View Distributary, planned for construction in 1988, will be used to transport water, treated at the Rinconada Water Treatment Plant, from the West Pipeline to the Mountain View service area. The pipeline will be about 4,500 feet long and will have the capacity to transport about 8,500 acre-feet of water annually.

Maple-San Pedro Recharge Facilities ($12,000,000)

These are proposed recharge ponds and a 1.5-mile pipeline to be constructed in 1988 two miles southeast of Morgan Hill. The pipeline will convey water from the Santa Clara conduit to the Maple Avenue recharge pond and to Llagas Creek.

Anderson Spillway ($4,400,000)

Anderson Dam and Spillway will be modified in 1986 to safely withstand probable maximum flood conditions.

The District sold $56,000,000 of Water Revenue Bonds between 1978 and 1984 to finance additional water storage, treatment, and distribution facilities for Santa Clara County.

Series D Bond Proceeds Application

The proceeds of $30,000,000 Series D issue will be used to finance projected in-county distribution system and related facilities during the next thirty-six month period as shown in Table 7. Included in the 1985 Project will be the Calero Pipeline, the Mountain View Distributary, the Maple-San Pedro Recharge Facilities, the Anderson Spillway, and the Milpitas Pipeline.

After sale of the Series D Bonds, the District estimates that existing facilities, along with the facilities to be financed with Series D Bonds and other available funds, will be sufficient to adequately meet the District's water requirements until the year 2000.

TABLE 7
PROJECTED PROJECT COSTS 1985/86 THROUGH 1988/89

Facilities	*Cost*
Stevens Creek Dam	$ 3,800,000
Madrone-Llagas Pipeline	700,000
Kirk/Page and Anderson Generating Facilities	4,200,000
Rinconada Water Treatment Plant Sludge Facility	$ 10,300,000
Penitencia Water Treatment Plant Sludge Facility	5,100,000
Santa Teresa Water Treatment Plant and Force Main	54,200,000
Santa Teresa Tunnel	7,300,000
Snell Pipeline	29,000,000
Calero Pipeline	7,700,000
Milpitas Pipeline	6,400,000
Mountain View Distributary	1,200,000
Maple-San Pedro Recharge Facilities	12,000,000
Anderson Spillway	4,400,000
1985/86 through 1988/89 design and construction	$146,300,000
Bond issuance, legal, financial and bond discount	750,000
Bond Reserve Fund	3,450,000
Total	$150,500,000
Source of financing	
District cash reserves and future revenues	$120,500,000
Series D Bonds	30,000,000
Total Funds Available	$150,500,000

The Santa Clara Valley Water District Water Utility Enterprise serves as the principal source and distributor of water for Santa Clara County. While the District does control and distribute vast quantities of water, it does so through a relatively small number of customers because of its role as supplier to public entities and private users of both treated water and groundwater.

The District's principal customers are six water purveyors which re-distribute to retail customers the majority of the District's water volume.

TABLE 8
TREATED WATER SALES TO MAJOR WATER UTILITY ACCOUNTS

	1981/82		*1982/83*		*1983/84*		*1984/85*	
	Acre-Feet	*Dollars*	*Acre-Feet*	*Dollars*	*Acre-Feet*	*Dollars*	*Acre-Feet*	*Dollars*
San Jose Water Company	42,812	$5,553,120	43,091	$6,019,885	44,990	$ 6,653,527	46,710	$ 7,361,763
City of Santa Clara	3,371	417,729	3,170	423,547	2,964	429,588	3,423	539,327
City of Sunnyvale	6,286	798,746	8,097	1,086,341	9,761	1,351,409	9,770	1,462,625
City of San Jose	5,538	656,465	5,831	779,058	7,147	980,536	7,390	1,086,827
City of Cupertino	2,828	355,078	2,704	368,476	3,070	438,138	2,943	456,168
California Water Service	6,680	827,647	7,108	945,128	8,851	1,179,814	9,427	1,331,422
Total	67,515	$8,608,785	70,001	$9,622,435	76,783	$11,033,012	79,663	$12,238,132

TABLE 9
GROUNDWATER VOLUME AND CHARGES TO MAJOR WATER UTILITY ACCOUNTS

	1981/82		*1982/83*		*1983/84*		*1984/85*	
	Acre-Feet	*Dollars*	*Acre-Feet*	*Dollars*	*Acre-Feet*	*Dollars*	*Acre-Feet*	*Dollars*
San Jose Water Company	75,248	$5,262,005	71,056	$5,318,978	74,077	$5,759,587	89,099	$ 7,361,416
City of Santa Clara	21,615	1,513,039	21,663	1,624,747	22,888	1,779,013	24,839	2,048,802
City of Sunnyvale	5,481	383,636	6,308	473,081	6,380	494,056	8,469	698,499
City of San Jose	1,148	80,338	833	62,457	787	61,055	1,470	123,098
City of Cupertino	224	15,710	137	10,292	6	483	117	9,682
California Water Service	5,213	364,628	5,328	399,284	5,015	390,182	5,327	440,524
Total	108,929	$7,619,356	105,325	$7,888,839	109,153	$8,484,376	129,321	$10,682,021

TABLE 10
WATER UTILITY ENTERPRISE CUSTOMERS

Year	Ground-water Customers	Surface Water Customers	Total Number Customers
1981	1,783	190	1,973
1982	1,583	183	1,766
1983	1,571	177	1,748
1984	1,511	160	1,671
1985	1,532	165	1,697

TABLE 11
ANNUAL REVENUES FROM MAJOR WATER UTILITY ACCOUNTS

	1981/82	1982/83	1983/84	1984/85
San Jose Water Company	$10,815,125	$11,338,863	$12,413,114	$14,723,179
City of Santa Clara	1,930,768	2,048,294	2,208,601	2,588,129
City of Sunnyvale	1,182,382	1,559,422	1,845,465	2,161,124
City of San Jose	736,803	841,515	1,041,591	1,209,925
City of Cupertino	370,788	378,768	438,621	465,850
California Water Service	1,192,275	1,344,412	1,569,996	1,771,946
Total	$16,228,141	$17,511,274	$19,517,388	$22,920,153

TABLE 12
WATER UTILITY REVENUES AND GROUNDWATER VOLUME OF FOUR PRINCIPAL ACCOUNTS

	1981/82		1982/83		1983/84		1984/85	
	Acre-Feet	Dollars	Acre-Feet	Dollars	Acre-Feet	Dollars	Acre-Feet	Dollars
Great Oaks Water Company	11,707	$ 819,462	12,844	$ 963,264	12,660	$ 983,627	11,874	$ 981,571
City of Mountain View	2,770	193,893	2,046	153,423	1,889	146,371	1,497	123,709
No. Los Altos Water Company	360	25,204						
Stanford University			53	4,000	53	4,000	129	10,287
Total	14,837	$1,038,559	14,943	$1,120,687	14,602	$1,133,998	13,500	$1,115,567

TABLE 13
SURFACE AND GROUNDWATER VOLUME AND REVENUE OF OTHER PRINCIPAL WATER UTILITY USERS

	1981/82		1982/83		1983/84		1984/85	
	Acre-Feet	Dollars	Acre-Feet	Dollars	Acre-Feet	Dollars	Acre-Feet	Dollars
Surface water	3,305	$ 146,509	1,939	$ 112,291	1,796	$ 87,786	2,505	$ 145,297
Groundwater	16,067	1,124,690	19,700	1,477,500	29,186	1,942,133	36,051	2,563,090
Total	19,372	$1,271,199	21,639	$1,589,791	30,982	$2,029,919	38,556	$2,708,387

The six major accounts to which the District delivers water are the San Jose Water Company, City of Santa Clara, City of Sunnyvale, City of San Jose, City of Cupertino and California Water Service Company. A four-year history of treated water and groundwater sales to these accounts is illustrated in Table 8 and Table 9.

Table 10 reviews the total number of the District's customers for the past five years.

The combined groundwater and treated water revenues of the six major accounts are presented in Table 11. For

TABLE 14
SANTA CLARA VALLEY WATER DISTRICT WATER UTILITY ENTERPRISE
SUMMARY OF REVENUES AND EXPENSES

	1981/82	*1982/83*	*1983/84*	*1984/85*
Operating revenue				
Groundwater	$ 9,946,970	$10,631,909	$13,236,926	$14,882,969
Treated water	8,621,732	9,644,061	11,250,513	12,348,902
Surface water	149,050	131,419	134,707	148,572
Interest	5,728,534	4,974,037	6,199,507	10,375,148
Total Operating Revenue	$24,446,286	$25,381,426	$30,821,653	$37,755,591
Operating expense				
Administration	$ 500,581	$ 548,619	$ 387,733	$ 588,453
Planning	886,753	1,287,764	1,716,370	2,045,396
Maintenance	2,139,341	2,555,685	3,341,541	2,813,266
Operations	4,486,326	4,693,003	4,919,035	5,820,613
Total Operating Expense	$ 8,013,001	$ 9,085,071	$10,364,679	$11,267,728
Net Operating Revenue	$16,433,285	$16,296,355	$20,456,974	$26,487,863
Non-operating revenue				
Property taxes	$ 8,965,320	$10,789,326	$ 9,945,984	$11,130,734
Rent and other	96,509	453,525	640,052	199,362
Total Non-Operating Revenue	$ 9,061,829	$11,242,851	$10,586,036	$11,330,096
Non-operating expense				
General obligation bond interest	$ 1,470,781	$ 1,396,569	$ 1,346,308	$ 1,303,331
Revenue bond interest	2,008,270	742,973	571,010	3,744,247
Paying agent fees	12,410	11,381	5,222	21,184
In-county credits	438,997	243,010	158,104	3,764
Depreciation	865,486	1,244,975	974,439	953,557
Charge for capital cost comp.	4,778,037	4,762,017	5,394,508	7,901,439
Total Non-Operating Expense	$ 9,573,981	$ 8,400,925	$ 8,449,591	$13,927,522
Net Non-Operating Revenue	$ (512,152)	$ 2,841,926	$ 2,136,445	$ (2,597,426)
Total Net Revenue	$15,921,133	$19,138,281	$22,593,419	$23,890,437

comparative purposes, the total water service revenues including ground, treated, and surface as excerpted from the District annual audits are also shown in Table 14. These comparative figures illustrate the major proportion of water revenues produced by the six accounts.

Along with the large major water accounts, 4 other users represent a substantial part of the water utility service charge income. These users utilize both groundwater and surface water in their operations. The past four years history of these water volumes and revenue are reviewed in Table 12.

Tables 11, 12 and 13 demonstrate that in each year the six major water retailers and forty-three other users remit approximately 67% of the District's water revenues. Another 4% of these total annual water revenues is received from four other principal accounts which utilize only groundwater as opposed to the combination groundwater and treated water usage of the six major accounts.

TABLE 15
SANTA CLARA VALLEY WATER DISTRICT
WATER UTILITY ENTERPRISE — SUMMARY OF PROJECTED REVENUES AND EXPENSES

	Fiscal Year			
	1985/86	*1986/87*	*1987/88*	*1988/89*
Operating revenue				
Groundwater	$16,014,000	$15,627,000	$16,668,000	$17,091,000
Treated water	12,691,000	14,220,000	17,822,000	21,180,000
Surface water	117,000	120,000	120,000	120,000
Interest	6,520,000	3,488,000	2,894,000	3,248,000
Total Operating Revenue	$35,342,000	$33,455,000	$37,504,000	$41,639,000
Operating expense				
Administration	$ 827,000	$ 547,000	$ 619,000	$ 672,000
Planning	1,426,000	1,365,000	1,323,000	1,389,000
Maintenance	3,975,000	3,256,000	4,378,000	5,692,000
Operations	7,178,000	6,918,000	8,279,000	9,824,000
Total Operating Expense	$13,406,000	$12,086,000	$14,599,000	$17,577,000
Net Operating Revenue	$21,936,000	$21,369,000	$22,905,000	$24,062,000

San Jose Water Company

The District's largest customer, San Jose Water Company, remits more than 38% of the Enterprise's total annual operating revenues.

San Jose Water Company is a public utility corporation which has its common stock listed on the American Stock Exchange. The company operates in accordance with the regulations of the California Public Utilities Commission. Originally founded in 1866, it presently

TABLE 16
SAN JOSE WATER COMPANY STATISTICAL REVIEW

	1984	1983	1982	1981	1980
Summary of income (in thousands)					
Operating revenues	$ 57,865	$ 47,135	$ 42,179	$ 38,518	$ 32,746
Operating expenses					
Operation	29,220	24,721	22,839	21,151	16,494
Maintenance	2,443	2,219	2,097	1,887	1,696
Taxes	10,589	7,371	5,429	4,526	4,069
Depreciation	3,806	3,674	3,337	3,103	2,923
Total Operating Expenses	$ 46,058	$ 37,985	$ 33,702	$ 30,667	$ 25,182
Operating income	11,807	9,150	8,477	7,851	7,564
Interest expense, other income and deductions	2,834	3,108	2,868	1,168	2,425
Net income	8,973	6,042	5,609	6,683	5,139
Dividends paid or accrued	3,870	3,502	3,226	3,024	2,707
Invested in the business	5,103	2,540	2,383	3,659	2,432
Per common share data					
Net income	$ 6.40	$ 4.29	$ 4.00	$ 4.77	$ 3.62
Dividends paid	2.65	2.40	2.20	1.97½	1.75
Stockholders' equity at year-end	39.48	35.73	33.86	31.68	28.89
Balance sheet (in thousands)					
Utility plant	$182,830	$172,148	$164,266	$157,242	$149,740
Less accumulated depreciation	49,049	46,038	42,405	39,471	36,663
Net utility plant	133,781	126,110	121,861	117,771	113,077
Total Assets	$150,691	$139,716	$132,835	$124,073	$119,287
Capitalization					
Common stockholders' equity	54,315	48,152	45,256	41,506	37,847
Preferred stock, non-redeemable	890	890	890	890	890
Preferred stock, redeemable (includes current maturities)	2,484	2,575	2,670	5,267	5,392
First mortgage bonds (includes current maturities)	41,221	43,097	43,474	37,851	38,227
Total Capitalization	$ 98,910	$94,714	$ 92,290	$ 85,514	$ 82,356
Other statistics					
Customers at year end	193,987	191,553	190,158	189,305	187,195
Average revenue per customer	$ 300.18	$ 246.97	$ 222.31	$ 204.61	$ 179.12
Investment in utility plant per customer	$ 942	$ 899	$ 864	$ 831	$ 800
Miles of main at year end	2,216	2,191	2,179	2,170	2,152
Water production (million gallons)	47,989	43,285	41,912	43,726	42,063
Maximum daily production (million gallons)	222	209	194	212	195
Population served (estimate)	710,000	700,000	695,000	695,000	690,000

Source: San Jose Water Company

serves water to approximately 710,000 people represented by more than 193,000 customers living in the 130 square mile area of Metropolitan San Jose.

Table 16 summarizes the company's financial and statistical position for the past five years. Figures are from the Company's Annual Reports.

Water Rates

It is the District's policy, in its pricing of water, to relate the cost of providing water more directly to the water user. Thus, the District's major sources of revenues are from charges received directly for water. These revenues, which presently amount to about 56 percent of total income of the District's Water Utility Enterprise, are:

Basic User Charge, which has two different rates based on use; an agricultural water rate, and a nonagricultural or municipal and industrial water rate. The water rates are set annually and current rates are listed in Table 18. Revenue from this charge pays for the costs related to supply and distribution of water.

Treated Water Surcharge, which is a water charge in addition to the municipal and industrial rate of the basic user charge, and is paid by an agency that receives water from District water treatment facilities. The treated water surcharge is set once every three years.

The current water rates will remain in effect until June 30, 1986. A history of the basic user charge and the contract rate for treated water since 1976/77 are presented in Table 17.

The information in Table 16 has been summarized by the District from its financial records. A copy of the District's financial statement for the year ended June 30, 1985, along with the report of the Certified Public Accountant, is available for review.

TABLE 17
HISTORICAL SUMMARY OF
TREATED WATER RATES

	Basic User Charge	*Treated Water Per Acre-Foot*
1976/77	$ 34	$ 75
1977/78	34	75
1978/79	39	80
1979/80	44	85
1980/81	54	95
1981/82	70	130
1982/83	75	140
1983/84	80	150
1984/85	85	160
1985/86 *	90	170

* Current rates.

TABLE 18
CURRENT
DISTRICT WATER RATES
PER ACRE-FOOT

	Rate
Groundwater	
Agricultural	$ 22.50
Non-agricultural	90.00
Treated water	
Contract	170.00
Non-contract	118.00
Surface water	
Agricultural	22.50
Non-agricultural	90.00
Water master	9.00
Evergreen power	35.00
Minimum charge	63.00
Zone W-3	9.00

Assessed Valuation

The District utilizes the services of Santa Clara County for the assessment and collection of taxes for District purposes. District taxes are assessed and collected at the same time and on the same tax rolls as are County, city, and other special district taxes.

California law exempts $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

Beginning in 1980/81 100% of the value of business inventories became exempt from taxation, rather than 50% as in prior years. State law provides for reimbursements by the State to local agencies based on their share of the revenues derived from the application of the maximum tax rate of $4 per $100 applied to business inventories in the 1979/80 fiscal year, with annual adjustments to reflect increases in population and the Consumer Price Index. Table 19 summarizes the 1985/86 assessed valuation of the District.

TABLE 19
SANTA CLARA VALLEY
WATER DISTRICT
1985/86 ASSESSED VALUATION

Secured roll	$51,244,940,724
Unsecured roll	7,834,360,059
Utility Roll	1,970,156,430
Total	$61,049,457,213
Less: Tax allocation increment	$5,797,021,145
Net total assessed valuation	$55,252,436,068

Source: Santa Clara Valley Water District.

Constitutional Limitations on Taxes and Appropriations

The taxing powers of California public agencies are limited by Article XIIIA of the California Constitution, added by an initiative amendment approved by the voters on June 6, 1978, and commonly known as Proposition 13.

Article XIIIA limits the maximum ad valorem tax on real property to 1% of "full cash value", which is defined as "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment". The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction, or other factors. The California State Board of Equalization has adopted regulations, binding on county assessors, interpreting the meaning of "change in ownership" and "new construction" for purposes of determining full cash value of property under Article XIIIA.

The validity of Article XIIIA as a whole has been upheld against challenge, but the California Supreme Court has left for future decision many other questions regarding detailed interpretation and implementation of Article XIIIA.

Legislation enacted by the California legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA, or $1.00 per $100 of full cash value.

Subsequent legislation (Statutes of 1979, Chapter 282, as amended) enacted a new system for allocating property tax revenues among California local public entities. Under this law, cities and counties receive about one-third more of the property tax revenues collected instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but are compensated directly by the State and given additional relief. In addition, the law provides for the State to assume a greater share of health and welfare costs.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenues from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to such revenues resulting from the upgrading of certain property values. Section 4 of Article XIIIA effectively prohibits the levying of any other ad valorem property tax above the limits set in Section 1, even with the approval of the affected voters.

Property Tax Revenues

At the present time Santa Clara Valley Water District on behalf of the Water Utility Enterprise receives three different tax allocations from the 1% maximum tax levy. The first allocation is countywide and is to help pay the capital cost of import facilities and the reservoir costs allocated to recreation.

The second allocation in Zone W-4 is intended to pay the costs associated with future benefits to a specific zone, such as the replenishment of time overdrafted groundwater basin and excess capacity built into water facilities to serve future water needs.

The third allocation in Zone W-3 is intended to pay for the costs of supplying and distributing water in this zone.

Table 20 summarizes the 1984/85 allocations made on behalf of the Water Utility Enterprise by the District:

Table 21 presents a five-year summary of Santa Clara County's secured tax levies and delinquencies:

TABLE 20
1984/85 PROPERTY TAX REVENUE

	Tax Revenues
Countywide	$2,783,397
Zone W-3	88,034
Zone W-4	677,980

Source: Santa Clara Valley Water District.

TABLE 21
SANTA CLARA COUNTY TAX LEVIES AND COLLECTIONS

Fiscal Year	*County Secured Levy*	*Secured Tax Delinquent June 30*	*Percent Delinquent June 30*
1980/81	$383,943,387	$10,219,541	2.66%
1981/82	447,423,453	15,369,381	3.44
1982/83	519,389,066	15,649,207	3.01
1983/84	496,528,162	13,566,338	2.73
1984/85	553,617,370	14,298,761	2.58

Source: Santa Clara Valley Water District.

Article XIIIB

An initiative amendment to the California Constitution (Article XIIIB) was approved by the California electorate on November 6, 1979. This amendment establishes limits on certain annual appropriations of state and local government entities. Initially, the limits are based generally on appropriations for fiscal year 1978/79 with future adjustments permitted for changes in the cost of living, population and certain other factors. The definition of appropriations subject to limitation is stated so as to exclude, among other things, (1) appropriations of proceeds received by a government entity from user fees to the extent such proceeds do not exceed the costs reasonably borne by such entity in providing the product or service, (2) the appropriations of any special district "which did not as of the 1977/78 fiscal year levy an ad valorem tax on property in excess of 12½¢ per $100 of assessed value", and (3) "appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or a bonded indebtedness thereafter approved ..." by vote of the electors of the issuing entity. In addition, the amendment provides that nothing in it "shall be construed to impair the ability of the State or any local government to meet its obligations with respect to existing or future bonded indebtedness".

The Department of Water Resources does not believe the amendment will significantly impair the State's ability to appropriate funds for the State Water Project since only a small portion of such funds is derived from State taxes. The Department does not believe the amendment will limit appropriations by Contractors to make payments under Water Supply Contracts if such appropriations are payable from revenue received from reasonable charges made for water or other products or services. The extent to which the amendment will impose limits on appropriations by Contractors from the proceeds of taxes for the purpose of making payments under Water Supply Contracts will depend on the interpretation of the exclusionary provisions of the amendment noted above and the other provisions of the amendment.

Retirement System

Employees of the District participate in a defined-benefit pension plan which is administered in accordance with a contract between the District and the State of California Public Employees' Retirement System ("PERS").

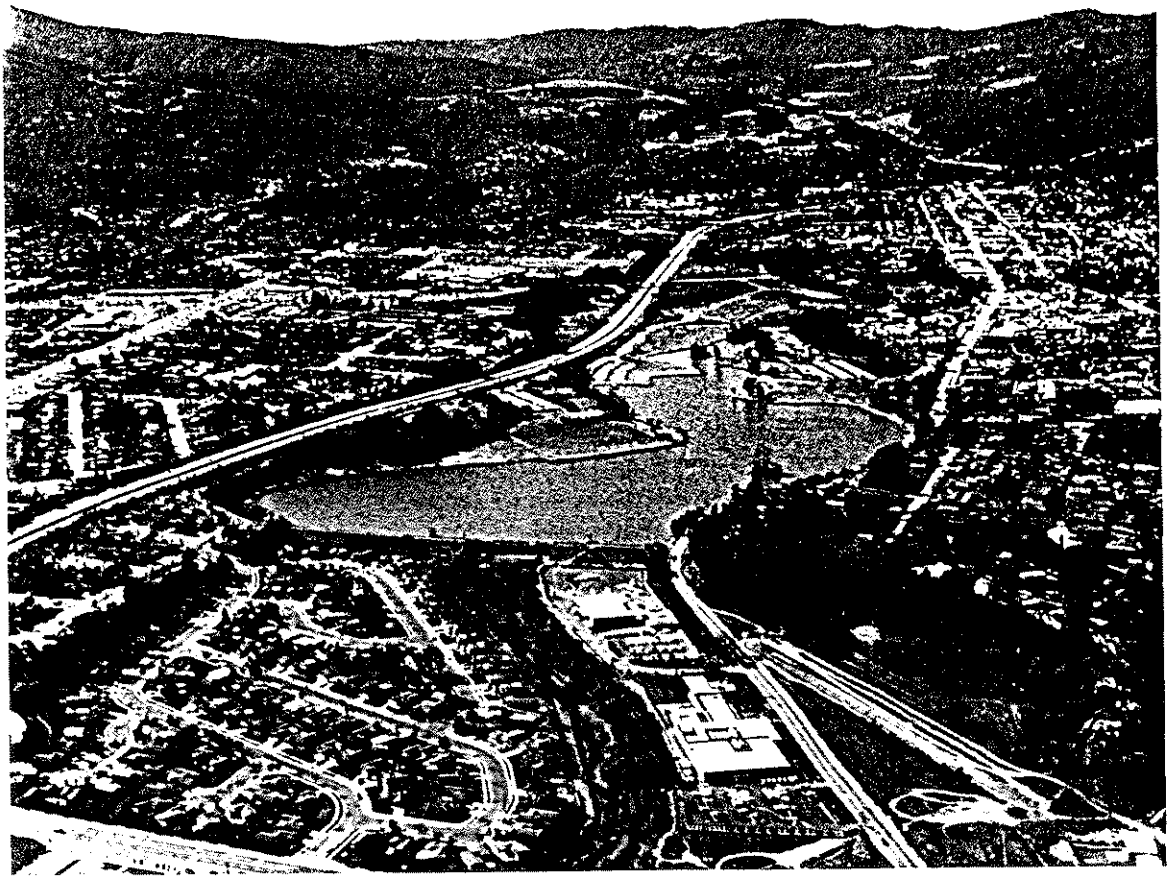
The Public Employees' Retirement System was established in 1931. As of June 30, 1984, there were 532,533 members, of whom approximately 35 percent were state employees, 36 percent non-teaching school employees, and 29 percent other local agency personnel.

At the same date, the System provided retirement, death, and survivor benefits under 1,249 contracts for 2.224 local public agency employers (cities, counties, school districts, special districts, and other public bodies) were over 216,000 retirees. System funding is by employer and employee contributions and investment income. Contributions fluctuate yearly, depending on the number of members and their respective salary schedules.

Total assets of the System at June 30, 1984 were 23,410,075,431, according to the System's audited annual report. Of this amount, net assets of $23,229,324,114 were available for benefits. The employers' contribution for the 1983/84 fiscal year was $1,626,563,138, which accounted for 35.98 percent of total System income.

Actuarial activities are conducted internally on a continuous basis, subject to review by an outside consultant. The Public Employees' Retirement Law requires an investigation of the system's experience at intervals of not more than four years, and an actuarial valuation of assets and liabilities taking that experience into consideration. This was last done as of June 30, 1982; however the total unfunded liability of the System has been determined to be $12,519,590,529, calculated as the excess of the accrued actuarial obligation over the amount of net assets available as of June 30, 1984. Based on current actuarial assumptions, State contribution rates should fund the State's unfunded liability by June 30, 2011.

Except for the pooling of certain miscellaneous members, actuarial evaluations are performed for each participating local agency employer. The total accrued actuarial liability is the sum of the individual employer accounts. According to the PERS annual report, public agency employer contribution rates set forth between each agency and PERS will meet all ongoing costs and fund the unfunded liability for each agency in accordance with the terms of each agency's contract.



The District's Vasona Reservoir and Dam.

DISTRICT ECONOMIC AND DEMOGRAPHIC DATA

The following information is presented as general background data. The Bonds are payable solely from Operating Revenues and other sources as described herein. The taxing power of the Santa Clara County Water District, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See the section "Security for the Bonds" in the Official Statemtent.

The boundaries of the District, which are coterminious with those of Santa Clara County, encompass approximately 1,316 square miles (including 14 square miles of water) in the southern part of the San Francisco Bay Area.

Santa Clara is one of nine counties bordering San Francisco Bay. It leads all of them in population, manufacturing employment, total effective buying income, assessed value of taxable property, retail sales, number of telephones, residential construction, and public school enrollment. It ranks among the top Bay Area counties in virtually every other indicator of economic activity as well.

The San Jose Metropolitan Area, which includes all of Santa Clara County, has the highest median family income of any metropolitan area in California. Over 54.9% of all households have effective buying income exceeding $35,000 versus 38.4% for California.

There are 15 cities in the County. San Jose, the largest city and county seat, is 48 miles south of San Francisco. Population data for all cities in the County are presented in Table 23.

Santa Clara County, although it has many ties to the San Francisco-Oakland urban complex, has established a separate identity as a leading center for research, commerce, industry, and finance.

Population

The County's population as of January 1, 1985 was estimated at 1,376,900 by the State Department of Finance. This is 6.3% higher than the 1980 U.S. Census count, compared with a statewide population gain of 9.2% during the same interval. As shown in Table 22, the County's rate of population increase had consistently been greater than that of the State of California until 1980.

In 1983 the median age of County residents was 30.4, while the median age for the State was 31.2.

TABLE 22
SANTA CLARA COUNTY AND STATE OF CALIFORNIA POPULATION DATA

Year	*County of Santa Clara*	*Percent Change*	*State of California*	*Percent Change*
1940	174,949	—	6,907,387	—
1950	290,547	66.1%	10,586,223	53.3%
1960	642,315	121.1	15,717,204	48.5
1970	1,065,313	65.9	19,971,069	27.1
1980	1,295,071	21.6	23,668,562	18.5
1985	1,376,900	6.3	25,850,000	9.2

Source: U.S. Census Bureau, except 1985 estimate by State Department of Finance.

TABLE 23
INCORPORATED AND UNINCORPORATED POPULATION DATA

City	*1960*	*1970*	*1980*	*1985*
San Jose	204,196	459,913	636,550	696,000
Sunnyvale	52,898	95,976	106,618	111,700
Santa Clara	58,880	86,118	87,746	89,000
Mountain View	30,889	54,132	58,655	61,600
Palo Alto	52,287	56,040	55,225	56,200
Milpitas	6,572	26,561	37,820	41,850
Cupertino	3,664	17,895	34,015	37,950
Campbell	11,863	23,797	27,067	33,950
Saratoga	14,861	26,810	29,261	29,650
Los Gatos	9,036	22,613	26,906	27,750
Los Altos	19,696	25,062	25,769	27,450
Gilroy	7,348	12,684	21,641	26,150
Morgan Hill	3,151	5,579	17,060	19,700
Los Altos Hills	3,412	6,871	7,421	7,775
Monte Sereno	1,506	2,847	3,434	3,450
Total	480,259	922,898	1,175,188	1,270,300
Unincorporated	162,056	142,415	119,883	106,600
Santa Clara County	642,315	1,065,313	1,295,071	1,376,900

Source: U.S. Census Bureau, except January 1, 1985 estimates by State Department of Finance.

The largest cities in the County are San Jose, Sunnyvale, Santa Clara, Mountain View, and Palo Alto. Table 23 shows population growth of individual cities since 1960. Approximately 92 percent of all County residents live in incorporated areas.

Income

The 1985 *Survey of Buying Power,* published by Sales & Marketing Management, reports that Santa Clara County ranks first among Bay Area counties in net effective buying income, estimating the figure at 19.8 billion for 1984. This is $14,412 per capita, compared with a statewide figure of $12,139. Median household effective buying income of $33,780 is sixth highest nationwide among metropolitan areas and 33% above the median household income for the State. Distribution of household effective buying income is shown in Table 24.

TABLE 24
SANTA CLARA COUNTY
1984 HOUSEHOLD EFFECTIVE BUYING INCOME

Income	*Santa Clara County*	*State of California*
To $9,999	7.9%	14.2%
$10,000-19,999	12.9	19.8
20,000-34,999	24.3	27.6
35,000-49,999	24.6	20.0
50,000-plus	30.3	18.4
Total	100.0%	100.0%

Source: Annual Survey of Buying Power.

Employment

The San Jose Labor Market, as defined by the State Employment Development Department, includes all of Santa Clara County. This area is a highly developed industrial, research, and educational center of employment for a labor force that ranks well above average in educational attainment and income.

Table 25 presents labor force, employment, and unemployment data for the period 1980-84 in the San Jose labor market. During this time the labor force increased by 119,600 and employment grew to 102,300. The unemployment rate as of August 1985 is 6 percent according to the State Employment Development Department.

The distribution of wage and salary employment for 1984 indicates that over 36 percent of all wage and salary workers are in manufacturing, 24 percent in services, 13.4 percent in retail trade, and 10 percent in the government sector.

TABLE 25
SANTA CLARA COUNTY CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT
ANNUAL AVERAGES, 1980-1984

	1980	*1981*	*1982*	*1983*	*1984*
Civilian labor force*	756,700	787,700	823,000	846,100	876,300
Employment	718,200	741,000	760,900	785,200	832,500
Unemployment	38,500	46,800	62,100	60,900	43,800
Unemployment rate, %	5.1	5.9	7.5	7.2	5.0
Wage and salary employment†					
Agriculture	6,400	5,700	5,600	4,900	4,800
Mining	200	100	100	200	200
Construction	26,100	24,700	21,700	24,200	30,000
Manufacturing	243,000	248,700	256,700	268,800	286,500
Transportation utilities	21,700	22,500	22,500	21,300	21,900
Wholesale trade	29,600	29,500	29,900	34,700	38,700
Retail trade	95,600	98,100	96,500	98,800	105,200
Finance, insurance, real estate	27,600	28,700	28,400	29,600	30,900
Services	151,700	156,800	159,000	171,100	187,800
Government, federal	10,500	10,100	10,200	10,900	11,600
Government, state and local	69,500	70,600	69,100	66,400	66,500
Total Wage and Salary Employment	681,900	695,500	699,700	724,700	784,200

* Based on place of residence.
† Based on place of work.
Source: State Employment Development Department.

Between 1980 and 1984, the County's economy provided jobs for 102,300 additional wage and salary workers. The majority of these new jobs were created in manufacturing (43,500) and services (36,100). Agriculture, once a leading source of employment, continued its steady decline as spreading urbanization replaced orchards with industrial and commercial developments.

Table 26 lists the 25 largest firms in Santa Clara County. Table 27 lists private firms in the County with more than 1,000 employees. Non-manufacturing and governmental organizations in the San Jose Metropolitan Area employing more than 1,000 persons include the City of San Jose, Santa Clara County, Stanford University, the Stanford Medical Center, El Camino Hospital, Campbell School District, San Jose State University, San Jose Unified School District, Cupertino Elementary School District, Palo Alto Unified School District, Ames Research Center (NASA), and the U.S. Naval Air Station at Moffett Field.

There are over 400 firms in the electronic and electrical equipment field in Santa Clara County, with employment ranging from a few to 19,000 employees. Some of the larger firms in this category are Fairchild Camera and Instrument Company, General Electric Company, Hewlett-Packard Company, Raytheon, Signetics, Sylvania, Teledyne, Varian Associates, Western Electric, Westinghouse Electric, National Semiconductor Corporation, Memorex Corporation, ITT, and Watkins-Johnson. Prominent in aerospace and ordnance are Lockheed Missiles and Space Company, United Technologies, FMC Corporation, and Ford Aerospace and Communications Corporation.

Table 28 breaks down the County's high technology companies into three categories: manufacturers, services (research and development, computers), and distribution. The upper section of the table lists the number of firms in each category; the lower section lists the number of employees.

TABLE 26
25 LARGEST FIRMS — 1985
RANKED BY EMPLOYMENT SIZE
(EMPLOYEES IN SANTA CLARA COUNTY)

Lockheed Missiles & Space Corp., Sunnyvale	23,825
Hewlett Packard Company, Palo Alto	17,800
IBM Corporation, San Jose	15,000
National Semiconductor Corp., Santa Clara	8,000
FMC Corporation — Defense Equipment Group, San Jose	6,411
Advanced Micro Devices, Inc., Sunnyvale	6,000
General Electric Co., Nuclear Energy Division, San Jose	5,832
Varian Associates, Palo Alto	5,710
Intel Corporation, Santa Clara	5,000
Pacific Bell, San Jose	3,979
Ford Aerospace & Comm. Corp., Palo Alto	4,684
Memorex Corp., Santa Clara	4,000
Amdahl Corp., Sunnyvale	3,700
Rolm Corp., Santa Clara	3,543
Westinghouse Electric Corp., Sunnyvale	3,121
Signetics Corp., Sunnyvale	3,000
Syntex Corp., Palo Alto	3,000
Spectra Physics	2,700
GTE Sylvania, Mountain View	2,638
ESL, Inc., Sunnyvale	2,500
Control Data Corp., San Jose	2,400
Four Phase Systems, Inc.	2,340*
Tandem Computers, Inc., Cupertino	2,324
Apple Computers	2,223
Bank of America, San Jose	2,207

* 1984 figures.
Source: Economic Fact Book, San Jose Chamber of Commerce and individual companies.

Although electronics and aerospace dominate the local industrial economy, other industries are well represented. Fabricated metal products, instruments, transportation equipment, printing and publishing, stone-clay-glass, chemicals, and rubber and plastic products are important contributors to the economic diversification of the area. The food processing industry is an important source of employment, even though many food plants have relocated to the Central Valley in response to increasing urbanization.

In the specialty machinery group are International Business Machines Corporation, FMC Corporation, Vidar Corporation, Amdahl Corporation, and Westinghouse Electric Corporation (Marine Division). Leading firms in the professional, scientific, and controlling instruments category are Beckman Instruments, Spectra Electronics, Hewlett-Packard, Smith Kline Instruments, and Acurex. In the fast-growing field of laser technology, Spectra Physics and Coherent Inc. are developing substantial local research and production facilities.

Nationally known firms making up the general base of industry in Santa Clara County include Eastman Kodak, Del Monte Corp., Beech-Nut, Kaiser Cement & Gypsum, Owens-Corning Fiberglas, Continental Can Corp., Monsanto, Dictaphone Corp., Owens-Illinois, Pittsburgh-Des Moines Steel, and International Paper Co.

Selected larger industrial firms in Santa Clara County are discussed more fully in the following paragraphs.

Lockheed Missiles and Space Company. The County's largest employer, Lockheed employs approximately 23,825 at its Sunnyvale and Palo Alto facilities. Basically a missile and satellite manufacturing complex, the local Lockheed installation represents a diversity of research and production capability.

In recent years, the company's principal product developments at its Santa Clara County plants have been the Trident and Poseidon submarine-launched ballistic missiles. Other programs at local Lockheed facilities include the Polaris missile, the Agena space vehicle, an eight-wheeled combat assault vehicle, and a Deep Submergence and Search Vehicle.

Hewlett-Packard Co. Employing over 67,000 people in seven states and six foreign countries, Hewlett-Packard is the second largest industrial employer in Santa Clara County. Over 17,800 local employees produce computers, calculators, and electronic instruments at plants in Palo Alto, Cupertino, Mountain View, Sunnyvale, and Santa Clara. A San Jose plant of the firm's Microwave Semi-Conductor Division is located within the new Rincon de los Esteros industrial redevelopment area. Hewlett-Packard was established in the County more than 25 years ago, and maintains world headquarters in Palo Alto.

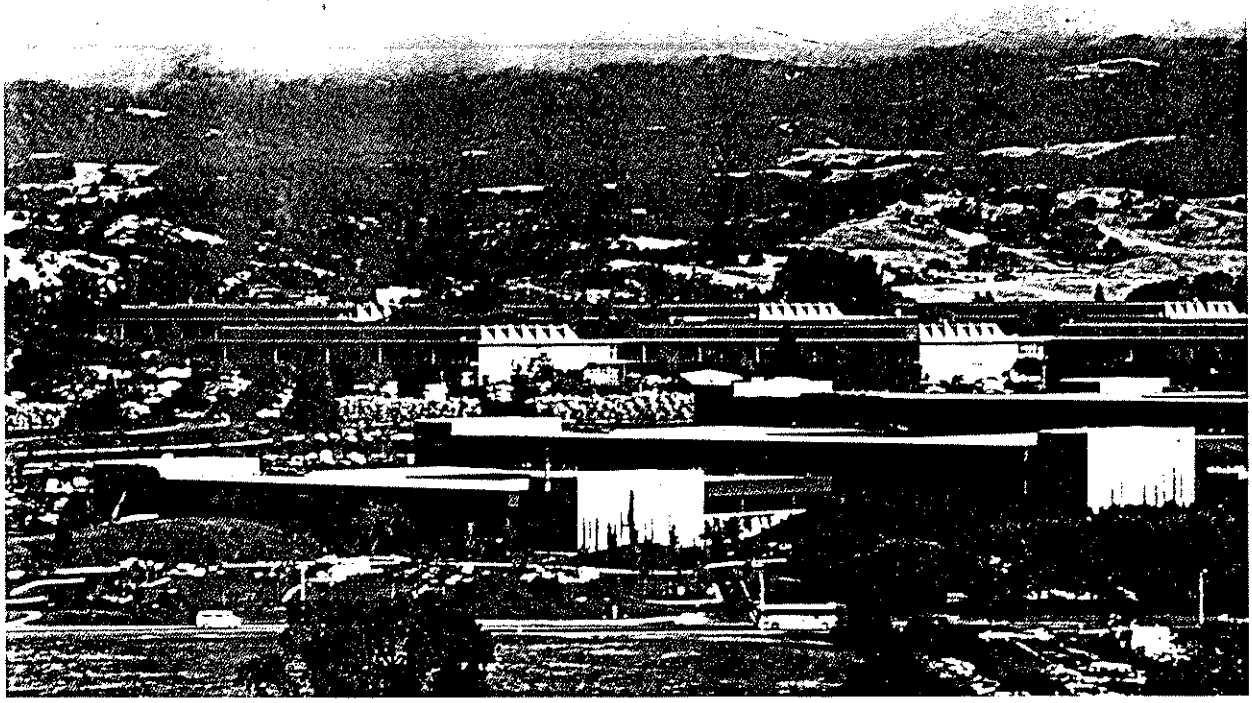
IBM Corporation. The County's third largest employer, IBM encompasses a variety of activities from fundamental research through production and installation of equipment. Total employment of the corporation in this area is estimated to be approximately 15,000 persons.

Largest of the company's local facilities is a 1,000-acre complex located in southeastern San Jose devoted to research, education, systems development, testing and manufacturing of direct access storage devices. The IBM Programming and Development Center, located on a separate site, houses more than 2,000 people in approximately 600,000 square feet of industrial and office space.

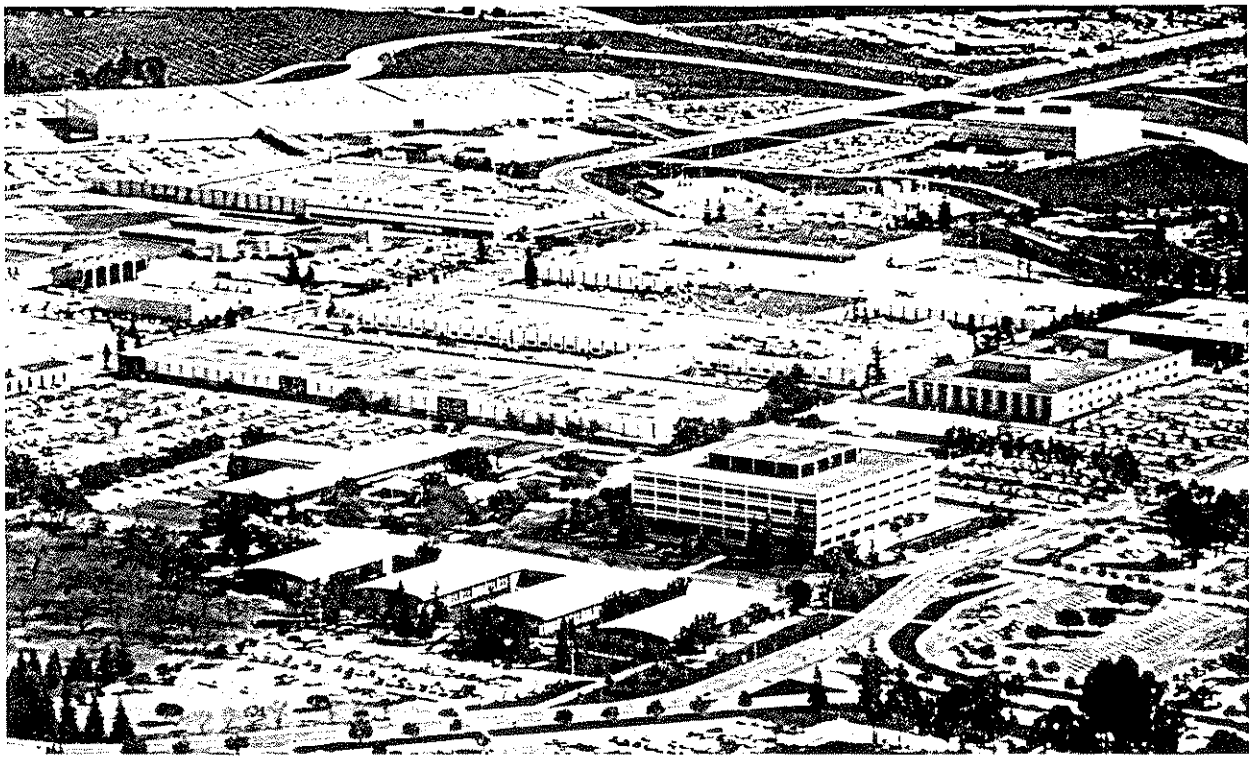
National Semiconductor Corporation. National Semiconductor produces solid state devices, integrated circuits, and microprocessors at plants in Santa Clara and Sunnyvale. An estimated 8,000 persons are employed at these facilities.

Memorex Corporation. Memorex manufactures disc and tape subsystems and telecommunications equipment. Companywide employment exceeds 11,000. The Santa Clara and Cupertino facilities employ approximately 4,000 people.

With more than 23,000 employees, Lockheed Missiles and Space Company (foreground) is the largest employer in Santa Clara County. US Naval Air Station at Moffett Field (upper left) is adjacent to Lockheed.



The world headquarters of Hewlett-Packard Co. is located in the District, and the firm employs over 17,000 people in several facilities within the District in the production of computers, microwave semi-conductors, and other electronic equipment.



IBM Corporation, with approximately 15,000 employees, is the third largest employer in Santa Clara County. Above is the 1,000 acre complex of IBM devoted to research, education, systems developments, testing and manufacturing of direct access storage devices.

TABLE 27
PRIVATE FIRMS EMPLOYING 1,000 OR MORE PERSONS

Company/Main Office	*Product or Service*
Over 2,000 Employees:	
Advanced Micro-Devices, Inc., Sunnyvale	Integrated circuits
Amdahl Corp., Sunnyvale	Main Frame computers
Apple Computer, Inc., Cupertino	Personal computer systems
Avantek Inc., Santa Clara	Electronic components
Bank of America, San Jose	Commercial banking
Cooper Laboratories, Inc., Palo Alto	Dental, ophthalmic products
Fairchild Camera & Instruments (Schlumberger), Mountain View	Electronic products
FMC Corporation, San Jose	Food machinery
General Electric Company, San Jose	Nuclear power plants
GTE Sylvania, Inc., Mountain View	Electronic systems group
Hewlett-Packard Co., Palo Alto	Measuring instruments and equipment
Information Storage Systems (Sperry Univac), Santa Clara	Computers
Intersil Inc., Cupertino	Semiconductors
IBM Corporation, San Jose	Data processing systems
Lockheed Missiles & Space Co., Sunnyvale	Missiles and space systems
Memorex Corp., Santa Clara	Magnetic tape
Intel Corp., Santa Clara	Memory-systems
Magnetic Peripherals Inc., Santa Clara	Electronic computing equipment
National Semiconductor Corp., Santa Clara	Electronic circuits
Pacific Gas & Electric Co., San Jose	Utility
Pacific Bell Co., San Jose	Utility
Ford Aerospace & Communications Corp., Palo Alto	Aerospace Research
Signetics Corp., Sunnyvale	Electronic components
Syntex Laboratories Inc., Palo Alto	Pharmaceuticals
Rolm Corp., Santa Clara	Digital computers, telecommunications
Varian Associates, Palo Alto	Electronic equipment
Western Electric Co., Sunnyvale	Telephone equipment
Westinghouse Electric Corp., Sunnyvale	Marine specialty products
Tandem Computers, Inc., Cupertino	Computer systems
ISS Sperry Univac, Santa Clara	Electronic equipment
1,001-2,000 Employees:	
Acurex Corp., Mountain View	Measuring and control systems
American Microsystems, Santa Clara	Electronic components
Applied Materials, Inc., Santa Clara	Semiconductor equipment
Applied Technology (ITEK), Sunnyvale	Electronics
Atari Inc. (Warner Communications), Santa Clara	Electronic video games
California Canners and Growers, Sunnyvale*	Food packers
Calma Co. (General Electric), Santa Clara	Computer-aided design systems
Chemical Systems Division UTC, San Jose	Advanced propulsion system
Convergent Technologies, Santa Clara	Computer systems
Consolidated Freightways, Palo Alto	Interstate trucking
Diasonics Inc., Milpitas	Ultra-sonic scanning devices
ESL Incorporated (TRW), Sunnyvale	Electronic research and development
Four-Phase Systems, Inc., Cupertino	Computers
Kaiser Electronics, San Jose	Electronic aerospace equipment
Qume Corporation, San Jose	Print wheels
San Jose Mercury-News, San Jose	Newspaper publisher
Spectra-Physics, Inc., Mountain View	Laser instruments
Shugart Associates, Sunnyvale	Electronics
United Technologies, Sunnyvale	Propulsion systems
Watkins-Johnson Co., Palo Alto	Electronic components, accessories
Northern Telecom, Mountain View	Communications equipment
Tymshare, Inc., Cupertino	Data processing services
Dysan Corp., Santa Clara	Magnetic data storage disks
Plantronics, Inc., San Jose	Telecomunications equipment
Priam Corp., San Jose	Disk Drives
Racal-Vadic Inc., Milpitas	Data communication equipment
Tab products Co., Palo Alto	Office systems
Technical Equities Corp., San Jose	Property manager
Teledyne, Inc., Palo Alto	Microwave components
Triad Systems Corp., Sunnyvale	Computer systems
Versatec Inc., Santa Clara	Computer printers
Western Development Lab, Palo Alto	Research and development — electronics

* Seasonal.
Source: Chamber of Commerce's Commerce & Industry Directory 1984-85, and individual companies.

TABLE 28
HIGH TECHNOLOGY FIRMS AND EMPLOYMENT
SANTA CLARA COUNTY

NUMBER OF FIRMS

Category	1977	1978	1979	1980	1981	1982*	1983*	1984*
Manufacturers	488	647	722	786	897	974	1,076	1,183
Services (R & D, computer)	185	218	258	328	391	477	588	703
Distribution	307	356	395	439	486	531	574	631
Total	905	1,221	1,375	1,553	1,774	1,982	2,238	2,517

NUMBER OF EMPLOYEES

Category	1977	1978	1979	1980	1981	1982*	1983*	1984*
Manufacturers	119,600	148,597	186,089	179,667	182,399	199,012	204,773	233,248
Services (R & D, computer)	13,200	16,417	18,742	20,144	21,806	21,755	25,879	30,597
Distribution	7,900	8,124	7,576	10,668	11,533	10,562	13,440	16,025
Total	140,700	173,138	192,407	210,479	215,738	231,329	244,092	279,870

* Data is not strictly comparable with previous years. Some firms have been reclassified in different categories reflecting new information about their primary activity.
Source: California Employment Development Department.

Intel Corporation. Intel produces semiconductor memory devices in Santa Clara, employing approximately 5,000 at local plants.

Varian Associates, Inc. Varian Associates employs 5,710 at its Palo Alto facilities in the production of power and special purpose tubes and analytical instruments.

General Electric Company plants and laboratories in Santa Clara County employ 5,832. The Advanced Reactor Operation and Space Systems Organization facilities are at Sunnyvale. The Time Sharing Computer Service is located in Palo Alto. The Nuclear Energy Group is in San Jose.

FMC Corporation. Formerly Food Machinery and Chemical Corporation, FMC was founded in San Jose in 1883. The corporation's wide variety of products include machinery, chemicals, fibers, ordnance, personnel carriers, and packaging films which are supplied to almost every segment of industry, agriculture, and national defense. Employment at local plants and laboratories is 6,411.

NASA, Ames Research Center. With 4,000 employees at its Mountain View facility near Moffett Field, Ames ranks as one of the largest employers in the area. The Center carries on vital work in space and life science research and development. A large wind tunnel is available for testing of aircraft and spacecraft configurations. Ames also houses the USAF Satellite Control Center, and the Army's Air Mobility Research and Development Laboratory.

Santa Clara County has over 125 industrial and business parks, of which 59 are in San Jose and 12 are in Santa Clara. Largest industrial parks in the County are Stanford Industrial Park (660 acres) in Palo Alto, and Moffett Industrial Park (546 acres) in Sunnyvale. The South Bay Industrial Center at Milpitas covers 440 acres.

There are 32 wineries in the Santa Clara Valley. Almaden Vineyards is headquartered on a 51-acre site in south San Jose and Mirassou Vineyards operates a winery in eastern San Jose. Paul Masson Vineyards has a winery in Saratoga; its aging cellars and a distribution center are located in San Jose.

Foreign Trade Zone

San Jose Foreign Trade Zone No. 18 is located in the 400-acre International Business Park near San Jose Municipal Airport. Foreign and domestic merchandise may be moved into the zone for storage, exhibition, repackaging, manufacture, or other processing without payment of Federal duties or excise taxes until the goods leave the zone. There is no time limit on storage of goods and components.

Transportation

Two major railroads, a modern system of highways and freeways and a rapidly growing airport complex have contributed to the industrial, commercial and residential expansion of Santa Clara County. This highly developed transportation network is a key factor in attracting new industry and causing local firms to expand.

Approximately 65 interstate trucking firms and over 400 local and regional contract carriers serve the County. Motor passenger and parcel service are made available by Greyhound Bus Lines and Peerless Stages with overnight deliveries to all major cities in California.

Southern Pacific and Union Pacific provide main line rail service to the area. Both railroads serve the east shore of San Francisco Bay, while Southern Pacific also provides freight and daily commuter service north on the Peninsula to San Francisco. Within San Jose are central switching yards with ramps for piggyback loading and cranes for handling containerized freight.

U.S. 101 and Interstate 280 serve Santa Clara County from the north, providing a link with San Francisco, Interstate 680 and Interstate 880 (formerly State Route 17) connect the County with East Bay points. All four of these principal highways intersect in downtown San Jose, forming a freeway grid serving the entire County. Connecting these main highways are State Routes 82, 85, and 237, various county roads, and a well-developed system of expressways.

Local bus transportation is scheduled by Santa Clara County Transit District, which connects with the Bay Area Rapid Transit District in the East Bay, and with bus and Southern Pacific commuter service on the San Francisco Peninsula.

Deepwater transportation is available at the Port of Redwood City, 25 miles north. Ports at San Francisco and Oakland are well-equipped to handle all types of coastal and overseas cargo. All three ports are conveniently accessible by freeway from San Jose.

San Jose Municipal Airport is one of three major airports in the San Francisco Bay Area, and ranks among the nation's busiest. About 160 flights operate daily. The airport serves the most heavily traveled air corridor in the world, the Southern California/Bay Area Corridor. Over two million passengers use the terminal annually.

There are general aviation and charter services at San Jose's Reid-Hillview Airport, the South County Airport at San Martin, and the County airport at Palo Alto.

Construction

Santa Clara has consistently ranked among the top California counties in building permit valuation. In 1984 Santa Clara County was fifth among California counties in the total value of building permits. The County ranked first among California counties in industrial valuation with approximately $523 million.

During the five year period 1980-84, the total permit value of new housing units in the County averaged approximately $345 million annually. The equivalent average annual valuation of new industrial projects was approximately $310 million. New commercial valuation averaged about $175 million annually for the period.

Countywide, building permit valuations for 1984 was $1,727,878,000.

TABLE 29
SANTA CLARA COUNTY
VALUE OF BUILDING PERMITS

	1980	1981	1982	1983	1984	1985*
Residential valuation						
New units	$ 447,459,000	$ 225,495,000	$174,071,000	$ 417,306,000	$ 458,325,000	$212,600,000
Alterations and additions	71,578,000	66,840,000	64,201,000	80,187,000	78,724,000	32,582,000
Subtotal	$ 519,037,000	$ 292,335,000	$238,272,000	$ 497,493,000	$ 537,049,000	$245,182,000
Non-residential valuation						
New commercial	$ 92,697,000	$ 158,248,000	$152,979,000	$ 174,110	$ 297,088,000	$173,492,000
New industrial	181,874,000	356,151,000	188,907,000	303,359,000	523,924,000	112,218,000
Alterations and additions	143,341,000	269,654,000	205,739,000	454,316,000	317,330,000	144,909,000
Other	65,644,000	59,019,000	51,037,000	54,326,000	52,487,000	21,825,000
Subtotal	$ 483,556,000	$ 843,072,000	$598,662,000	$ 986,111,000	$1,190,829,000	$452,444,000
Total Valuations	$1,002,593,000	$1,135,407,000	$836,934,000	$1,483,604,000	$1,727,878,000	$697,626,000
Number of new dwelling units						
Single-family	5,071	1,997	1,862	2,968	3,789	1,591
Multi-family	2,954	1,705	1,080	4,337	3,471	1,826
Total Units	8,025	3,702	2,942	7,305	7,260	3,417

Source: *California Construction Trends*, Security Pacific Bank.
* January to May only.

Commerce

There are 134 shopping centers in Santa Clara County, 17 of which rank as regional or specialty shopping centers. The largest is Eastridge, a retail complex in eastern San Jose. It has four major department stores, 170 retail and service establishments, 27 restaurants, and an indoor skating arena. In the western part of the city is Westgate, serving the Campbell-Saratoga area. Oakridge Mall is located in the rapidly growing southern sector of San Jose, near the IBM complex.

Serving northern Santa Clara County is Stanford Shopping Center at Palo Alto, with Macy's, The Emporium, Nordstrom's and Saks Fifth Avenue as major tenants. The Sunnyvale Town Center, in the City of Sunnyvale, is anchored by Macy's and Montgomery Ward department stores. It covers 36 acres and has 114 retail and service establishments.

In 1984, total taxable transactions were up 18.5 percent over 1983, and total taxable retail sales were 12.3 percent greater. Total taxable transactions in Santa Clara County now exceed $13 billion annually.

Between 1978 and 1984 the number of outlets reporting retail sales increased over 24 percent, to a total of 12,517. Non-retail establishments grew even faster, for a growth rate of 29 percent. This reflects strong industrial, commercial, and professional segments of the County's economy. Table 30 summarizes growth in taxable sales since 1978.

Agriculture

Steady population growth, industrialization and urbanization have caused a decline of agricultural activities and farm employment in the County, Nevertheless, farm production values have remained relatively stable, exceeding $120 million in each of the past six years.

Santa Clara County's top three farm commodities — cut flowers, mushrooms, and nursery stock — are crops maintaining stable levels of employment, free of the seasonality often found in agricultural production. Table 31 shows gross values of farm output for recent years.

TABLE 30
SANTA CLARA COUNTY
TAXABLE TRANSACTIONS

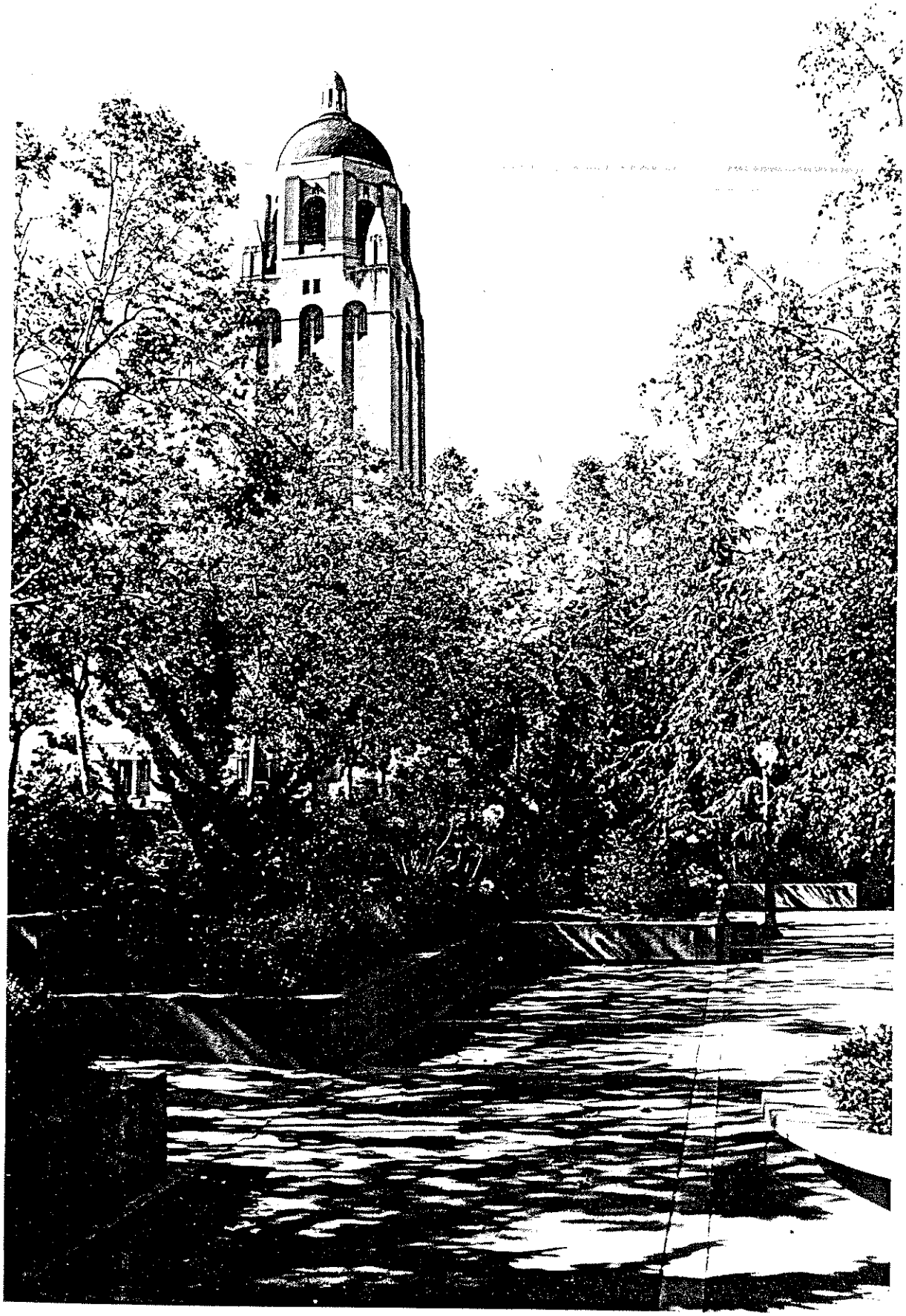
Year	*Retail Permits*	*Retail Transactions*	*Total Permits*	*Total Transactions*
1978	10,077	$4,419,630,000	31,532	$6,671,475,000
1979	10,451	5,007,961,000	32,932	7,790,799,000
1980	11,125	5,461,581,000	35,114	8,593,557,000
1981	11,445	5,954,002,000	36,735	9,495,659,000
1982	11,793	6,328,141,000	39,202	9,986,014,000
1983	12,101	7,270,805,000	40,385	11,532,971,000
1984	12,517	8,167,672,000	41,296	13,668,630,000

Source: State Board of Equalization.

TABLE 31
SANTA CLARA COUNTY
GROSS VALUE OF AGRICULTURAL PRODUCTION

Crop	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
Fruits, nuts, berries	$ 20,479,400	$ 15,017,900	$ 13,540,000	$ 16,907,900	$ 18,171,000	$ 19,775,000
Vegetables	37,740,600	42,694,200	38,829,000	39,615,000	39,253,000	41,287,000
Livestock, poultry and products	20,840,000	22,123,000	21,521,500	21,509,300	18,000,050	22,638,000
Field crops, apiary	3,661,160	5,899,940	8,340,640	5,471,600	6,261,200	10,137,805
Nursery products	40,847,000	44,260,000	41,450,000	40,685,000	41,591,000	45,613,000
Totals	$123,568,160	$129,995,040	$123,681,140	$124,188,800	$123,276,250	$139,450,805

Source: County Department of Agriculture.



Stanford University, with a student enrollment of more than 12,000, occupies over 8,000 acres within the District.

Education

The County is served by 22 elementary school districts, five high school districts, and six unified school districts (kindergarten through the twelfth grade). Largest public school systems in the County are San Jose Unified School District, East Side Union High School District, Santa Clara Unified School District, and Oak Grove Elementary School District. Recent enrollment data are summarized in Table 32.

Higher education is available at eight two-year community colleges in Santa Clara County. Within the San Jose city limits are San Jose City College and Evergreen Valley College. Mission College at Santa Clara opened in 1978. In other communities are De Anza College at Cupertino, Foothill College in Los Altos Hills, Gavilan College in Gilroy, and West Valley College, Saratoga.

San Jose State University, University of Santa Clara, and Stanford University are all located in the County.

Community Facilities

Twelve general hospitals in Santa Clara County have an aggregate capacity of more than 3,800 beds. The largest are Stanford University Hospital in Palo Alto (618 beds), county-operated Santa Clara Valley Medical Center in San Jose (595 beds), and El Camino Hospital in Mountain View (464 beds). In addition to the general hospitals, there is a Veterans' Administration Hospital in Palo Alto.

Three daily newspapers are published in the County: the San Jose Mercury News, Peninsula Times Tribune, and San Jose Post-Record. There are eight weekly newspapers and four bi-weekly newspapers in various communities. San Jose has thirteen radio stations and three TV stations.

The County Library System serves unincorporated areas and the incorporated cities of Los Altos, Los Altos Hills, Cupertino, Saratoga, Campbell, Monte Sereno, Milpitas, Morgan Hill, and Gilroy. The cities of Los Gatos, Mountain View, Palo Alto, San Jose, Santa Clara, and Sunnyvale maintain municipal libraries.

TABLE 32
PUBLIC SCHOOLS — SANTA CLARA COUNTY

	1978	*1979*	*1980*	*1981*	*1982*	*1983*	*1984*
School districts	37	37	37	37	37	37	37
Elementary schools							
Number		335	316	312	291	279	274
Enrollment	169,186	162,787	158,800	154,648	151,924	147,882	140,185
Secondary schools							
Number	58	57	54	50	50	50	48
Enrollment	85,244	82,423	79,565	76,826	75,172	74,109	73,996
Community colleges							
Number	9	9	9	9	8	8	8
Enrollment	76,514	75,459	96,806	98,035	86,345	82,467	84,175

Source: Office of the Santa Clara County Superintendent of Schools.

The San Jose Center for the Performing Arts forms the hub of a growing cultural development movement in the County. The modernistic structure, seating 2,700 people, is considered one of the finest theatres in the country. Flint Center, located on the campus of De Anza College at Cupertino, hosts concerts by leading orchestras. Stanford University in Palo Alto presents performances by the world's foremost artists.

San Jose Convention Center, located near the Performing Arts Center in the downtown area, seats a total of 7,600 and has 292 exhibit booths. The recently completed exhibit hall has substantially increased the capacity of the facility for conventions.

The San Jose Symphony is one of the oldest established symphony orchestras in the nation, tracing its roots back over a century. It has been accorded national recognition as a Metropolitan Orchestra by the American Symphony Orchestra League. Among the many museums in the County are the Egyptian Museum, the Hoover Institution of War and Peace, and the San Jose Museum of Art. The San Jose Civic Light Opera is well-known for the excellence of its stage productions.

Municipal Stadium in San Jose, occupying a 23-acre downtown site, features the San Jose Missions baseball team. Spartan Stadium seats 18,300 for San Jose State University games. Stanford Stadium in Palo Alto seats 90,000 for major college sports.

Recreation

The County maintains various park and recreational facilities, including the Villa Montalvo Arboretum in Saratoga, Palo Alto Yacht Harbor, Alviso Marina, the Santa Clara County Fairgrounds in San Jose, and eight regional parks. There are two state parks in the County.

Visitor attractions in Santa Clara County include the Winchester Mystery House and Rosicrucian Egyptian Museum and Planetarium, in San Jose, and the 65-acre Great America, a family amusement center in Santa Clara.

Utility Services

Electrical and gas service throughout the County is provided by Pacific Gas & Electic Co. Pacific Bell Co. serves most of the County. The General Telephone Co. of California and Western California Telephone Co. serve communities in the southwestern part of the County.

Climate and Topography

The Santa Clara Valley extends from San Francisco Bay on the north to the San Benito County line. Protection afforded by the Santa Cruz mountains to the west and the Diablo Range on the east make the area virtually fog-free and wind-free. The mild climate is reflected in annual mean temperatures, which range from 68.2 degrees in July to 49.2 degrees in January. Precipitation averages 13.1 inches per year.

County Government

Santa Clara County was incorporated February 18, 1850 as one of California's original counties, and utilizes the charter form of government. The governing body is a five-member Board of Supervisors who appoint a County Executive to administer day-to-day affairs. Supervisors are elected to represent specific geographic districts. The County Administration Center, situated in San Jose, houses the principal county administrative offices and adjoins the San Jose Civic Center.

APPENDIX

BOARD OF DIRECTORS
OF THE
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 85-73

A Resolution of the Board of Directors of the Santa Clara Valley Water District Providing for the Issuance and Prescribing the Terms, Conditions and Form of $30,000,000 Principal Amount of Santa Clara Valley Water District Water Revenue Bonds, Series D.

(Fourth Supplemental Resolution)

WHEREAS, the Board of Directors of the Santa Clara Valley Water District has duly adopted Resolution No. 78-68 on June 6, 1978, which Resolution No. 78-68 duly provided for the issuance of water revenue bonds for the purposes therein stated, and it is necessary and desirable to authorize the issuance thereunder of $30,000,000 principal amount of water revenue bonds for the purpose herein set forth; and

WHEREAS, the Board of Directors of the District has heretofore found and determined that the District is now duly authorized to issue said $30,000,000 principal amount of water revenue bonds in the manner and form provided in this Fourth Supplemental Resolution for the purpose set forth herein;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE; AUTHORITY

SECTION 1.01. *Definitions.*

(a) All terms which are defined in Section 1.01 of the Resolution shall have the same meanings, respectively, in the Fourth Supplemental Resolution as such terms are given in Section 1.01 of the Resolution.

(b) Unless the context otherwise requires, the terms defined in this section shall for all purposes of the Resolution and of the Fourth Supplemental Resolution and of the Series D Bonds and of any certificate, opinion, request or other document therein mentioned have the meanings herein specified.

Finance Manager

The term "Finance Manager" means the Finance Manager of the District, being the successor office to the office of Manager of Administration and Finance of the District.

Fourth Supplemental Resolution

The term "Fourth Supplemental Resolution" means this Resolution No. 85-73, adopted by the Board of Directors on October 15, 1985, under the Law and pursuant to Article II and Article VIII of the Resolution.

1985 Project

The term "1985 Project" means improvements to the Enterprise comprising the Calero Pipeline, the Mountain View Distributary, the Maple-San Pedro Recharge Facilities, the Anderson Spillway and the Milpitas Pipeline (as such improvements to the Enterprise have been heretofore adopted and approved for acquisition and construction by the District, and as they are more particularly defined and provided for in engineering reports on file with the Clerk), together with other works, property or structures necessary or convenient therefor.

Resolution

The term "Resolution" means Resolution No. 78-68, adopted by the Board of Directors on June 6, 1978, under the Law.

Series D Bonds

The term "Series D Bonds" means the Bonds authorized by Article II of the Fourth Supplemental Resolution.

SECTION 1.02. *Authorization and Purpose.*

(a) The Board of Directors has reviewed all proceedings heretofore taken relative to the authorization of the Series D Bonds and has found, as a result of such review, and hereby finds and determines that all conditions, things and acts required by law to exist, happen or be performed precedent to and in the issuance of the Series D Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Board of Directors is now authorized, pursuant to each and every requirement of law, to issue the Series D Bonds in the manner and form provided in the Resolution and in the Fourth Supplemental Resolution.

(b) The purpose for which the Series D Bonds are to be issued is to provide funds for the acquisition and construction of the 1985 Project, including payment of costs incidental to or connected with such acquisition and construction.

SECTION 1.03. *Authority for the Fourth Supplemental Resolution.* The Fourth Supplemental Resolution is adopted pursuant to the provisions of the Law and is supplemental to and is adopted in accordance with Article II and Article VIII of the Resolution.

ARTICLE II

AUTHORIZATION AND FORM OF SERIES D BONDS

SECTION 2.01. *Principal Amount, Designation and Series.* Pursuant to the provisions of the Resolution, a Series of Bonds entitled to the benefit, protection

and security of such provisions is hereby authorized in the aggregate principal amount of $30,000,000. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Water Revenue Bonds, Series D." Such Series of Bonds shall be issued solely as fully registered Bonds.

Section 2.02. *Date and Maturities.* The Series D Bonds shall be dated December 1, 1985. The Series D Bonds shall mature on the dates and in the principal amounts set forth in the following schedule:

Maturity Date (June 1)	Principal Amount	Maturity Date (June 1)	Principal Amount
1987	$ 675,000	1996	$1,320,000
1988	725,000	1997	1,450,000
1989	775,000	1998	2,055,000
1990	835,000	1999	2,250,000
1991	900,000	2000	2,460,000
1992	955,000	2001	2,665,000
1993	1,040,000	2002	2,915,000
1994	1,120,000	2003	3,180,000
1995	1,215,000	2004	3,465,000

SECTION 2.03. *Interest.* The Series D Bonds shall bear interest at such rate or rates, not exceeding twelve per cent (12%) per annum, as may be fixed by the Board of Directors at the time of sale of the Series D Bonds. Such interest on the Series D Bonds shall be payable on June 1, 1986, and semiannually thereafter on December 1 and June 1 in each year.

The Series D Bonds shall bear interest from the interest payment date next preceding the date of authentication thereof, unless such date of authentication is an interest payment date, in which event they shall bear interest from such date, or unless such date of authentication is prior to the first interest payment date, in which event they shall bear interest from December 1, 1985; provided, however, that if at the time of authentication of any Series D Bond interest is then in default on the Outstanding Series D Bonds, such Series D Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Outstanding Series D Bonds. Payment of interest on the Series D Bonds due on or before the maturity or prior redemption thereof shall be made to the persons whose names appear in the registration books kept by the Fiscal Agent pursuant to Section 3.07 of the Resolution as the registered owners thereof, such interest to be paid by check mailed to such registered owners at their addresses as they appear in such books or at such other addresses as they may have filed with the Fiscal Agent for that purpose.

Payment of the principal of and redemption premiums, if any, on the Series D Bonds shall be made to the respective registered owners thereof on the surrender thereof to the Fiscal Agent at maturity or on redemption prior to maturity.

The interest on and principal of and redemption premiums, if any, on the Series D Bonds shall be payable in lawful money of the United States of America.

SECTION 2.04. *Denominations.* The Series D Bonds shall be in denominations of five thousand dollars ($5,000) and integral multiples thereof (but not exceeding the principal amount of Series D Bonds maturing at any one time).

SECTION 2.05. *Place of Payment.* The interest on and principal of and redemption premiums, if any, on the Series D Bonds shall be payable at the office of the Fiscal Agent.

SECTION 2.06. *Redemption Prices and Terms.* Series D Bonds maturing by their terms on or before June 1, 1994, shall not be subject to redemption prior to their respective maturity dates. Series D Bonds maturing by their terms on or after June 1, 1995, shall be subject to redemption prior to their respective maturity dates, at the option of the District, on any interest payment date on or after June 1, 1994, as a whole or in part in inverse order of maturity (and by lot within any one maturity) from funds derived by the District from any source, at the principal amount thereof and accrued interest thereon to the date of redemption, plus a redemption premium of one-quarter of one per cent (¼ of 1%) of such principal amount for each whole year or fraction thereof remaining between the date of redemption and their respective maturity dates.

SECTION 2.07. *Form of Series D Bonds.* The Series D Bonds and the form of authentication and the form of assignment to appear thereon shall be substantially in the following forms, respectively:

[FORM OF SERIES D BOND]

No. _____ $ _____

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

SANTA CLARA COUNTY

SANTA CLARA VALLEY WATER DISTRICT

WATER REVENUE BOND, SERIES D

Interest Rate	Maturity Date	Dated As Of	CUSIP

The SANTA CLARA VALLEY WATER DISTRICT, a flood control and water district organized and existing under the laws of the State of California (the "District"), for value received hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to _____, the registered owner of this Bond, or registered assigns, on the maturity date set forth above (subject to any right of

prior redemption hereinafter provided for) the principal sum of _____ Dollars, together with interest thereon from the interest payment date next preceding the date of authentication hereof, unless such date of authentication is an interest payment date, in which event it shall bear interest from such date, or unless such date of authentication is prior to the first interest payment date, in which event it shall bear interest from December 1, 1985, until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable on June 1, 1986, and semiannually thereafter on December 1 and June 1 in each year. Interest due on or before the maturity or prior redemption of this Bond shall be payable only by check mailed to the registered owner hereof, and the principal hereof and redemption premium, if any, hereon shall be payable only on the maturity or prior redemption of this Bond upon surrender hereof. The interest hereon and principal hereof and redemption premium, if any, hereon are payable at the principal corporate trust office of Bank of America National Trust and Savings Association in San Francisco, California, the Fiscal Agent of the District, in lawful money of the United States of America.

This Bond is one of a duly authorized issue of Bonds of the District designated as its "Water Revenue Bonds" (the "Bonds") issued and to be issued in various series under and pursuant to the Revenue Bond Law of 1941 of the State of California and the Santa Clara Valley Water District Act (California Water Code Appendix, Sections 60-1 et seq.) (the "Law"), and under and pursuant to Resolution No. 78-68 adopted by the Board of Directors of the District on June 6, 1978 (the "Resolution"), and a supplemental resolution authorizing each such series.

This Bond is one of a series of Bonds of various maturities designated as "Water Revenue Bonds, Series D" (the "Series D Bonds"), issued in the aggregate principal amount of $30,000,000, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions), and issued under the Resolution and a supplemental resolution of the District, Resolution No. 85-73, adopted by the Board of Directors of the District on October 15, 1985 (the "Fourth Supplemental Resolution"), which resolutions are herein collectively called the "Resolutions." Copies of the Resolutions are on file at the office of the Clerk of the Board of Directors of the District and at the above-mentioned office of the Fiscal Agent, and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Law is made for a description of the terms on which the Series D Bonds are issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Series D Bonds; and all the terms of the Resolutions and the Law are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Series D Bond, and to all the provisions thereof the registered owner of this Series D Bond, by his acceptance hereof, consents and agrees. Each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Law and the Resolutions and shall be bound by all the terms and conditions thereof.

The Series D Bonds are issued to provide funds for the acquisition and construction of additions, betterments, extensions or improvements to an Enterprise consisting of the water utility system of the District, as more particularly described in the Resolution. The Series D Bonds are special obligations of the District and are payable, as to interest thereon, principal thereof and redemption premiums, if any, thereon, from the revenues of said Enterprise (which, as more particularly defined in the Resolution, are therein and herein called the "Revenues") and other funds of the District as in the Resolution provided. All the Bonds are equally secured by a pledge of, and charge and lien upon, all the Revenues and such other funds, and the Revenues and such other funds constitute a trust fund for the security and payment of interest on and principal of and redemption premiums, if any, on all the Bonds. Additional series of water revenue bonds payable from the Revenues and such other funds may be issued on a parity with the Series D Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Resolution.

The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the Revenues and such other funds pledged for the payment thereof, and the District is not obligated to pay the Bonds except from the Revenues and such other funds. The general fund of the District is not liable, and the full faith and credit or taxing power of the District is not pledged, for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the District or any of its income or receipts, except the Revenues and such other funds.

The District covenants that, so long as any of the Bonds are outstanding, it will fix, prescribe and collect rates, fees and charges (including ground water, surface water and treated water charges) in connection with the services and facilities furnished by said Enterprise so as to yield Revenues at least equal to the amounts thereof prescribed by the Resolution and sufficient to pay the interest on and principal of and redemption premiums, if any, on the Bonds in accordance with the provisions of the Resolution.

Series D Bonds maturing by their terms on or before June 1, 1994, are not subject to redemption prior to their respective maturity dates. Series D Bonds maturing by their terms on or after June 1, 1995, are subject to redemption prior to their respective maturity dates, at the option of the District, on any interest payment date on or after June 1, 1994, as a whole or in part in inverse order of maturity (and by lot within any one maturity) from funds derived by the District from any source, at the principal amount thereof and accrued interest thereon to the date of redemption, plus a redemption premium of one-quarter of one per cent (¼ of 1 %) of such principal amount for each whole year or fraction thereof remaining between the date of redemption and their respective maturity dates.

As provided in the Resolutions, notice of redemption shall be given by publication once a week for two (2) successive weeks in a newspaper or journal of general

circulation in San Francisco, California, printed in the English language publishing financial news and selected by the Fiscal Agent, with the first such publication to be not less than thirty (30) days nor more than sixty (60) days before the redemption date, all in the manner and upon the terms and conditions set forth in the Resolutions. In addition, notice of redemption of this Series D Bond shall be mailed not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner hereof, but neither failure to mail or receive such notice shall affect the sufficiency of such proceedings for redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Fiscal Agent, then such Series D Bonds shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on the Series D Bonds so called for redemption shall cease to accrue and the registered owners of such Series D Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

If an event of default, as defined in the Resolution, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Resolution.

The Series D Bonds are issuable as fully registered bonds in denominations of $5,000 and integral multiples thereof (not exceeding the principal amount of Series D Bonds maturing at any one time). Subject to the conditions and upon payment of the charges provided in the Resolutions, the registered owner of any Series D Bond or Bonds may surrender the same at the above-mentioned office of the Fiscal Agent (together with a written instrument of transfer satisfactory to the Fiscal Agent duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Series D Bonds of the same maturity date of any other authorized denominations.

This Series D Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Fiscal Agent by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Resolutions and upon surrender of this Series D Bond, together with a written instrument of transfer satisfactory to the Fiscal Agent duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Series D Bond or Bonds in the same aggregate principal amount and of the same maturity date will be issued to the transferee in exchange herefor. The District and the Fiscal Agent may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and redemption premium, if any, hereon and for all other purposes, whether or not this Series D Bond shall be overdue, and neither the District nor the Fiscal Agent shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on this Series D Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Series D Bond to the extent of the sum or sums so paid.

The rights and obligations of the District and of the bearers and registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Resolution, but no such modification or amendment shall (1) extend the maturity of this Series D Bond, or reduce the interest rate hereon, or otherwise alter or impair the obligation of the District to pay the interest hereon or principal hereof or any premium payable on the redemption hereof at the time and place and at the rate and in the currency provided herein, without the express written consent of the registered owner of this Series D Bond, or (2) reduce the precentage of Bonds required for the written consent to an amendment or modification; all as more fully set forth in the Resolution.

It is hereby certified that all conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Series D Bond do exist, have happened or have been performed in due time, form and manner as required by law and that the amount of this Series D Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the Constitution or laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolutions.

This Series D Bond shall not be entitled to any benefits under the Resolutions or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been executed and dated by the Fiscal Agent.

IN WITNESS WHEREOF, the Santa Clara Valley Water District has caused this Series D Bond to be executed under its official seal, signed by the Chairman of its Board of Directors and its Finance Manager and countersigned by the Clerk of its Board of Directors, and has caused this Series D Bond to be dated December 1, 1985.

_____

Chairman of the Board of Directors of the Santa Clara Valley Water District

_____

Finance Manager of the Santa Clara Valley Water District

Countersigned:

_____

Clerk of the Board of Directors of the Santa Clara Valley Water District

(Seal)

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[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION]

This is one of the Series D Bonds described in the within-mentioned Resolutions which has been authenticated on _____.

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Fiscal Agent

By _____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the register of the Fiscal Agent, with full power of substitution in the premises.

_____

Dated: _____.

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

SECTION 2.08. *Execution and Authentication of Series D Bonds.* The Series D Bonds shall be signed on behalf of the District by the facsimile signatures of the Chairman and the Finance Manager and attested by the facsimile signature of the Clerk, and the seal of the District shall be thereunto affixed by the Clerk, which seal may be by a facsimile of the District's seal which is imprinted upon the Series D Bonds. In case any officer who shall have signed or attested any of the Series D Bonds shall cease to be such officer before the Series D Bonds so signed or attested shall have been delivered to the purchaser by the District, such Series D Bonds shall nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the District as though such person who signed or attested the same had continued to be such officer of the District. Also, any Series D Bond may be signed or attested on behalf of the District by any person who on the actual date of the execution of such Series D Bond shall be the proper officer of the District, although on the nominal date of such Series D Bond any such person shall not have been such officer of the District. Only such of the Series D Bonds as shall bear thereon a certificate of authentication in the form hereinabove set forth, executed and dated by the Fiscal Agent, shall be entitled to any benefits hereunder or be valid or obligatory for any purpose, and such certificate shall be conclusive evidence that the Series D Bonds so authenticated have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit hereof.

ARTICLE III

USE OF PROCEEDS OF SERIES D BONDS

SECTION 3.01. *Application of Proceeds of Sale of Series D Bonds.* Upon the receipt of payment for the Series D Bonds when the same shall have been duly sold by the District, the Fiscal Agent shall set aside and deposit or cause to be deposited the proceeds received from such sale in the following respective accounts and funds and in the following order of priority:

(a) The Fiscal Agent shall deposit in the Interest Account established pursuant to Section 5.03(1) of the Resolution a sum equal to the amount of accrued interest received upon the sale of the Series D Bonds.

(b) The Fiscal Agent shall deposit in the Bond Reserve Account established pursuant to Section 5.03(3) of the Resolution a sum sufficient to increase the amount contained therein to the Maximum Aggregate Annual Debt Service on all Outstanding Bonds (including the Series D Bonds).

(c) The Fiscal Agent shall transfer the remainder of such proceeds to the Finance Manager, who shall deposit such proceeds in a separate account in the Bond Fund to be known as the "Series D Construction Account" (the "Series D Construction Account"), which account is hereby created and which account the District hereby agrees and covenants to establish and maintain. The money in the Series D Construction Account shall be used in the manner provided by law for the purpose of paying costs of the acquisition and construction of the 1985 Project (or for making reimbursements to the District for such costs there-

tofore paid by it), including all costs incidental to or connected with such acquisition and construction. Any balance remaining in the Series D Construction Account after the date of completion of such acquisition and construction shall be deposited in the Revenue Fund established pursuant to Section 5.01 of the Resolution and applied by the District as provided in Section 5.03 of the Resolution.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. *Incorporation of the Resolution.* All the conditions and terms of the Resolution are hereby incorporated herein and shall constitute a part hereof and shall be applicable to the Series D Bonds, except as otherwise expressly provided herein; and in this respect the Series D Bonds shall be issued only as fully registered bonds of the denominations hereinabove provided, shall be payable solely at the office of the Fiscal Agent and shall be executed and authenticiated as hereinabove provided.

SECTION 4.02. *Effective Date of the Fourth Supplemental Resolution.* The Fourth Supplemental Resolution shall take effect from and after its passage and approval.

PASSED AND ADOPTED on October 15, 1985, by the following vote:

Ayes: Directors J. Donohue, P. T. Ferraro, A. H. Fisher, R. W. Gross, J. J. Lenihan, J. Pandit, S. Sanchez

Noes: None

Absent: None

Approved:

JOE DONOHUE

Chairman of the Board of Directors of the Santa Clara Valley Water District

(Seal)

Attest:

SUSAN A. PINO

Clerk of the Board of Directors of the Santa Clara Valley Water District

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CLERK'S CERTIFICATE

I, Susan A. Pino, Clerk of the Board of Directors of the Santa Clara Valley Water District, State of California, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said District duly and regularly and legally held at the regular meeting place thereof on the 15th day of October, 1985, of which meeting all of the members of said Board of Directors had due notice and at which not less than a majority of the members thereof were present and acted; that at said meeting said resolution was introduced by Director Donohue, and was thereupon, upon motion of Director Sanchez, seconded by Director Ferraro, adopted by the following vote:

Ayes: Directors J. Donohue, P. T. Ferraro, A. H. Fisher, R. W. Gross, J. J. Lenihan, J. Pandit, S. Sanchez

Noes: None

Absent: None

I do hereby further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that said resolution is duly entered of record in said minutes; that the foregoing is a full, true and correct copy of said resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption and is now in full force and effect.

WITNESS my hand and seal of said District, this 15th day of October, 1985.

SUSAN A. PINO

Clerk of the Board of Directors of the Santa Clara Valley Water District

(Seal)

OFFICIAL NOTICE OF SALE
$30,000,000 SANTA CLARA VALLEY WATER DISTRICT
WATER REVENUE BONDS, SERIES D

NOTICE IS HEREBY GIVEN that sealed proposals will be received and opened by the Clerk of the Board of Directors of the Santa Clara Valley Water District (the "District") at the office of the Clerk of the Board of Directors of the District, 5750 Almaden Expressway, San Jose, California 95118, on

TUESDAY, NOVEMBER 12, 1985

at the hour of 10:00 o'clock A.M. for the purchase of $30,000,000 principal amount of revenue bonds of the District designated "Santa Clara Valley Water District Water Revenue Bonds, Series D" (the "bonds") more particularly described below. The bonds are authorized to be issued under the provisions of a resolution (the "General Resolution") adopted by the Board of Directors of the District on June 6, 1978, and a resolution supplemental thereto (the "Fourth Supplemental Resolution") adopted by the Board of Directors of the District on October 15, 1985 (which General Resolution and Fourth Supplemental Resolution are herein called the "Resolutions"), and pursuant to the Revenue Bond Law of 1941 of the State of California and the Santa Clara Valley Water District Act (California Water Code Appendix, Sections 60-1 et seq.). The bonds are more particularly described in the Resolutions, which are incorporated herein by reference.

ISSUE AND DENOMINATIONS: $30,000,000 principal amount of fully registered bonds, in denominations of $5,000 and integral multiples thereof (but not exceeding the principal amount of bonds maturing at any one time).

DATE: The bonds are dated December 1, 1985.

MATURITIES: The bonds mature serially in consecutive numerical order, from lower to higher, on June 1 in each of the years, as follows:

Maturity Date (June 1)	Principal Amount	Maturity Date (June 1)	Principal Amount
1987	$ 675,000	1996	$1,320,000
1988	725,000	1997	1,450,000
1989	775,000	1998	2,055,000
1990	835,000	1999	2,250,000
1991	900,000	2000	2,460,000
1992	955,000	2001	2,665,000
1993	1,040,000	2002	2,915,000
1994	1,120,000	2003	3,180,000
1995	1,215,000	2004	3,465,000

REDEMPTION: Bonds maturing by their terms on or before June 1, 1994, are not subject to redemption prior to their respective maturity dates. Bonds maturing by their terms on or after June 1, 1995, are subject to redemption prior to their respective maturity dates, at the option of the District, on any interest payment date on or after June 1, 1994, as a whole or in part in inverse order of maturity (and by lot within any one maturity) from funds derived by the District from any source, at the principal amount thereof and accrued interest thereon to the date of redemption, plus a redemption premium of one-quarter of one per cent (¼ of 1%) of such principal amount for each whole year or fraction thereof remaining between the date of redemption and their respective maturity dates.

INTEREST RATE: Maximum twelve per cent (12%) per annum, payable on June 1, 1986, and semiannually thereafter on December 1 and June 1 in each year. Bidders must specify the rate or rates of interest per annum which the bonds hereby offered for sale shall bear. Bidders may specify any number of separate interest rates per annum irrespective of the maturities of the bonds, and the same rate or rates may be repeated as often as desired; provided, however, that (i) the difference between the highest and lowest interest rates specified in any bid shall not exceed two per cent (2%); (ii) each interest rate specified must be in a multiple of $^1/_{20}$ of one per cent and a zero rate of interest cannot be specified; (iii) no bond shall bear more than one rate of interest; (iv) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; and (v) all bonds of the same maturity shall bear the same rate of interest.

PAYMENT: Both principal and interest are payable in lawful money of the United States of America at the principal corporate trust office of Bank of America National Trust and Savings Association in San Francisco, California, the Fiscal Agent of the District for the bonds. Interest due on or before the maturity or prior redemption of the bonds is payable only by check mailed to the registered owners thereof by the Fiscal Agent, and the principal of and redemption premiums, if any, on the bonds are payable only on the maturity or prior redemption of the bonds upon surrender thereof by the registered owners thereof to the Fiscal Agent.

PURPOSE OF ISSUE: The bonds are issued to provide funds for the improvement of the water utility system of the District.

SECURITY: The bonds are revenue bonds and, together with the outstanding Santa Clara Valley Water District Water Revenue Bonds, Series B and Series C, are payable solely from the Revenues (as that term is defined in the Resolutions) and certain other funds of the District as in the Resolutions provided. A bond reserve account will be maintained in an amount equal to the Maximum Aggregate Annual Debt Service (as that term is defined in the Resolutions) on the bonds and on said Santa Clara Valley Water District Water Revenue Bonds, Series B and Series C.

TAX EXEMPT STATUS: In the event that prior to the delivery of the bonds (i) the income received by any private holder from bonds of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (ii) any federal income tax law is adopted which will have a substantial adverse tax effect on holders of the bonds as such, the successful bidder may, at his option, prior to the tender of the bonds by the District, be relieved of his obligation under the contract to purchase the bonds and in such case the deposit accompanying his bid will be returned.

LEGAL OPINION: The legal opinion of Orrick, Herrington & Sutcliffe, of San Francisco, California, approving the validity of the bonds, will be furnished to the successful bidder without charge. A copy of the legal opinion, certified by the officer in whose office the original is filed, will be printed on each bond without charge to the successful bidder.

TERMS OF SALE

HIGHEST BID: The bonds will be awarded to the highest bidder, considering the interest rate or rates specified and the premium offered, if any, or the discount bid, if any. The highest bid will be determined by deducting the amount of the premium bid (if any) from, or adding the amount of the discount bid (if any) to, the total amount of interest which the District would be required to pay from the date of the bonds to their respective maturity dates at the interest rate or rates specified in the bid, and the award will be made on the basis of the lowest net interest cost to the District. The successful bidder must pay accrued interest computed on a 360-day year basis from the date of the bonds to the date of delivery. The cost of printing the bonds will be borne by the District.

RIGHT OF REJECTION: The Board of Directors of the District reserves the right, in its discretion, to reject any and all bids and to waive any irregularity or informality in any bid.

PROMPT AWARD: The Board of Directors of the District will take action awarding the bonds or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of proposals, unless such time of award is waived by the successful bidder.

PROMPT DELIVERY: Delivery of the bonds will be made to the successful bidder at the principal corporate trust office of Bank of America National Trust and Savings Association in San Francisco, California as soon as the bonds can be prepared, which it is estimated will be on December 5, 1985. Payment for the bonds must be made in bank funds immediately available to the District in San Francisco, California.

RIGHT OF CANCELLATION: The successful bidder shall have the right, at his option, to cancel the contract of purchase if the District shall fail to execute the bonds and tender the same for delivery within sixty (60) days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying his bid.

FORM OF BID; MAXIMUM DISCOUNT: All bids must be for not less than all of the bonds hereby offered for sale and for not less than 98% of the principal amount thereof plus accrued interest to date of delivery, and no bid will be accepted which provides for the waiver of interest or other concession by the bidder as a substitute for payment for the bonds. The amount of any discount specified in any bid shall not exceed 2% of the aggregate principal amount of the bonds. Each bid, together with bidder's check, must be enclosed in a sealed envelope addressed to the Clerk of the Board of Directors of the District and endorsed "Proposal for Santa Clara Valley Water District Water Revenue Bonds, Series D." All bids must be delivered to the Clerk of the Board of Directors of the District at the place first above described prior to 10:00 o'clock A.M. on November 12, 1985.

BID CHECK: With each bid must be submitted a certified check or cashier's check for $200,000 drawn on a bank or trust company transacting business in the State of California, payable to the order of the District to secure the District from any loss resulting from the failure of the bidder to comply with the terms of his bid. Checks of all bidders (except the successful bidder) will be returned by the District by mail promptly following the sale date above specified. No interest will be paid upon the deposit made by any bidder.

ESTIMATE OF NET INTEREST COST: Bidders are requested, but not required, to supply an estimate of the total net interest cost to the District on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the District.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the bonds, but neither the failure to print such numbers on any bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the bonds in accordance with the terms of the purchase contract. All expenses in relation to the assigning and the printing of CUSIP numbers on the bonds shall be paid for by the District.

CALIFORNIA DEBT ADVISORY COMMISSION FEE: All bidders are advised that, pursuant to Section 8856 of the California Government Code, it will be the responsibility of the successful bidder to pay the statutory fee to the California Debt Advisory Commission.

OFFICIAL STATEMENT: The District has caused an official statement to be prepared, a copy of which, together with copies of the Resolutions, will be furnished upon request mailed to Dinkelspiel Belmont & Co. Inc., One California Street, San Francisco, California 94111, the public finance and investment banking consultant to the District.

There is no controversy or litigation pending concerning the validity of the above issue, the corporate existence of the District, or the title of the officers thereof to their respective offices, and the District will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the bonds.

DATED: October 15, 1985.

SUSAN A. PINO

Clerk of the Board of Directors of the Santa Clara Valley Water District

BID FORM

PROPOSAL FOR
$30,000,000
SANTA CLARA VALLEY WATER DISTRICT
WATER REVENUE BONDS, SERIES D

Clerk of the Board of Directors
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118

November 12, 1985

Gentlemen:

Pursuant to the Official Notice of Sale (a copy of which is made a part of this bid) we offer to purchase $30,000,000 principal amount, all or none, of the bonds designated as "Santa Clara Valley Water District Water Revenue Bonds, Series D" at the par value thereof (plus a premium) or (less a discount) of $_____ making an aggregate sum of $_____ plus interest accrued on such bonds from their date to the date of delivery.

The bonds are to bear interest rates as set forth in the following schedule.

Principal Amount	*Maturing June 1*	*Rate*	*Principal Amount*	*Maturing June 1*	*Rate*
$ 675,000	1987	_____%	$1,320,000	1996	_____%
$ 725,000	1988	_____%	$1,450,000	1997	_____%
$ 775,000	1989	_____%	$2,055,000	1998	_____%
$ 835,000	1990	_____%	$2,250,000	1999	_____%
$ 900,000	1991	_____%	$2,460,000	2000	_____%
$ 955,000	1992	_____%	$2,665,000	2001	_____%
$1,040,000	1993	_____%	$2,915,000	2002	_____%
$1,120,000	1994	_____%	$3,180,000	2003	_____%
$1,215,000	1995	_____%	$3,465,000	2004	_____%

Our calculation of the net interest cost and net interest rate, which is considered to be informative only and not a part of the bid, is as follows:

Total Interest ..... $_____

(Less Premium) or (Plus Discount) ..... $_____

Net Interest Cost ..... $_____

Net Interest Rate ..... _____%

This proposal is subject to acceptance not later than twenty-six (26) hours after the expiration of the time for the receipt of proposals as specified in the Official Notice of Sale. There is enclosed herewith a (certified) (cashier's) check for $200,000 payable to the order of the District.

Following is a list of members of our account on whose behalf this bid is made.

_____
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_____
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_____
_____
_____
_____

Respectfully submitted.

Name _____
Account Manager

By _____

Address _____

City _____

State _____

If this is the winning bid, we request that the District deliver 250 copies of the official statement to

(name and address) _____